



OPA-LOCKA FLORIDA

ANNUAL FINANCIAL REPORT

City of Opa-locka, Florida

For the Fiscal Year Ended
September 30, 2020



The City of Opa-locka

Mission Statement

The Mission of the City of Opa-locka is to enhance the quality of life, environment, and safety of our customers and employees in an atmosphere of courtesy, integrity, and quality service.

CITY OF OPA-LOCKA, FLORIDA

ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

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Opa-locka, FL 33054**

Darvin Williams, JD, MBA, MPH
Interim City Manager

Telephone (305) 953-2821
Email: dwilliams@opalockafl.gov

October 21, 2022

To the Citizens, the Honorable Mayor, Vice Mayor, and City Commissioners of the City of Opa-locka:

It is my pleasure to submit the Audited Financial Report for the City of Opa-locka, Florida (“the City”), for the fiscal year ended September 30, 2020, pursuant to Section 218.39 of the Florida Statutes, Chapter 10.550 of the Rules of the Auditor General of the State of Florida, and the City Charter. The financial statements included in this report conform to accounting principles generally accepted in the United States of America prescribed by the Governmental Accounting Standards Board (GASB). This report is published to fulfill that requirement for the fiscal year ended September 30, 2020.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a framework of internal controls that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute assurance that the financial statements are free of any material misstatements.

The financial statements have been audited by Marcum LLP, a firm of licensed certified public accountants. The independent auditors have issued an unmodified opinion on the City's financial statements for the year ended September 30, 2020. The independent auditors' report is located at the front of the financial section of the report.

The Management's Discussion and Analysis (MD&A) segment immediately follows the independent auditor's report and provides narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

Profile of the Government

The City of Opa-locka was incorporated in 1926 and operates under the Commission/City Manager form of government. The City Commission is comprised of the Mayor, Vice Mayor and three Commissioners, who are responsible for enacting ordinances, resolutions and regulations governing the City and appointing the members of various advisory boards. Additionally, the City Commission appoints the City Manager, the City Attorney, and the City Clerk. As Chief Administrative Officer, the City Manager is responsible for the enforcement of laws and ordinances and the appointment and supervision of the City's Department heads.

The City provides a full range of services including police, construction and maintenance of highways and streets and other infrastructure, recreational and cultural activities, water and wastewater, storm water, sanitation, planning and zoning and general administrative services.

For additional services concerning our City, please visit our website at www.opalocka.fl.gov.

The financial reporting entity under which the financial statements are prepared includes all activities and

functions for which the City is financially accountable.

The City is required to prepare, approve, adopt and execute an annual budget. This annual budget serves as the foundation for the City's financial planning and control. Budgetary control is maintained at the departmental and fund level, with the finance department providing support to departments in the administration of their budgets. Budget to actual comparisons are provided in this report for all of the City's funds that have an appropriated annual budget.

Local Economy

The City of Opa-locka comprises approximately 4.5 square miles and has a population of approximately 16,000 residents. It is in the northern portion of Miami-Dade County. The City is a mix of residential, commercial, and industrial zones including the Miami-Dade Opa-locka Airport, which is owned and operated by Miami-Dade County. The City of Opa-locka community is served by two elementary schools.

Major Initiatives

On June 1, 2016, the City of Opa-locka City Commission adopted a Resolution to request a declaration that the City is in a state of financial emergency, and to seek the appointment of a financial emergency board and other assistance pursuant to section 218.503 (1), Florida Statutes. The State of Florida, Office of the Governor, issued Executive Order I6-135, signed by Florida Governor, Rick Scott.

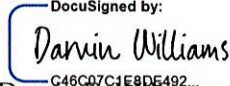
On June 8, 2016, the City entered into a State and Local Agreement of Cooperation between the Governor as a result of being in a state of financial emergency. The State implemented measures to resolve the financial emergency with the City's cooperation. To resolve the financial emergency, the Florida Governor through his designee, designated the Office of the Chief Inspector General ("Governor's Designee") to serve as the lead entity responsible for coordinating the Governor's efforts in providing intervention and assistance to the City.

One element of exiting from a state of financial emergency is the development of a Five-Year Recovery Plan by the City, demonstrating the City's ability to satisfy the requirements necessary for restoration of the City's fiscal integrity. The City submitted a proposed Five-Year Recovery Plan to the State of Florida, which was approved in August 2020 without modification.

Acknowledgements

The Finance Department, under the supervision of TriMerge Consulting Group, P.A., the City Manager, Assistant City Managers, Directors and Staff Members all contributed to the preparation of this report. We would also like to express our appreciation for the leadership of the Mayor, Vice-Mayor and Commissioners.

Respectfully,

DocuSigned by:

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Darvin E. Williams
Interim City Manager



CITY OF OPA-LOCKA, FLORIDA

LIST OF PRINCIPAL OFFICIALS

CITY COMMISSION - Fiscal Year 2020



Chris Davis
Vice Mayor



Matthew Pigatt
Mayor



Alvin Burke
(Deceased)
Commissioner



Sherelean Bass
Commissioner



Joseph L. Kelley
Commissioner

CITY EXECUTIVE MANAGEMENT

Darvin E. Williams
City Manager (Current)

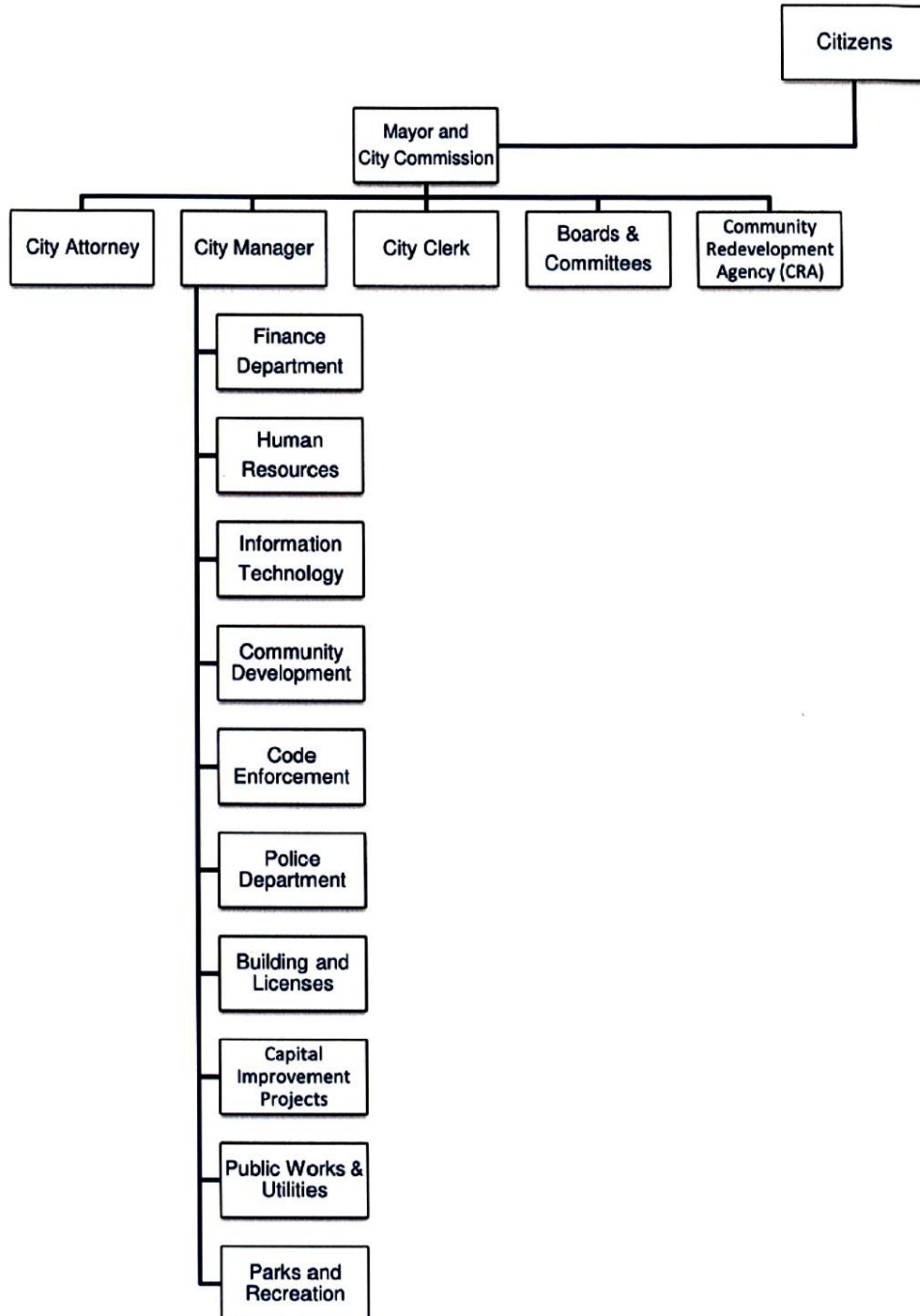
Joanna Flores
City Clerk

Burnadette Norris-Weeks
City Attorney



CITY OF OPA-LOCKA, FLORIDA

ORGANIZATIONAL CHART



FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor, City Commission and City Manager
City of Opa-locka, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Opa-locka, Florida (the "City"), as of and for the fiscal year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinions.

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Qualified
Business-type Activities	Qualified
General Fund	Qualified
Capital Projects Improvement Debt Service	Qualified
Water and Sewer Fund	Qualified
Aggregate Remaining Fund Information	Qualified

Basis for Qualified Opinions

Management has not properly accounted for its Due To and Due From Other Funds activity for the fiscal year ended September 30, 2020. Accounting principles generally accepted in the United States of America require that interfund loans require repayment within a reasonable time. If these amounts are not expected to be repaid in a reasonable time, they should be reported as interfund transfers. The amounts by which this departure would affect the assets, liabilities, fund balances, net position, revenues, and expenditures/expenses of the different opinion units has not been determined.

Qualified Opinion

In our opinion, except for the effects of the matter described in the “Basis for Qualified Opinions” paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis on pages 3 through 19, schedule of city’s proportionate share of net pension liability, the schedules of city’s contributions, schedule of changes in the city’s total OPEB liability and related ratios, and budgetary comparison schedules for the general fund and capital improvement debt service fund on pages 82 through 93 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the

information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund statements and the introductory section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and the other auditors. In our opinion, based on our audit, the procedures performed as described above, the combining and individual fund statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2022 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Marcum LLP

Miami, FL
October 21, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

(MD&A)

OVERVIEW OF THE FINANCIAL STATEMENTS

The City of Opa-locka's Management Discussion and Analysis (MD&A) is designed to provide an objective and easy to read analysis of the City's financial activities based on currently known facts, decisions, or conditions. It is intended to provide a broad overview on short-term and long-term analyses of the City's activities based on information presented in the financial report and fiscal policies that have been adopted by the City. Specifically, this section is designed to assist the reader in focusing on significant financial issues, provide an overview of the City's financial activity, identify changes in the City's financial position (its ability to address the next and subsequent year challenges), identify any material deviations from the financial plan (the approved budget), and identify individual fund issues or concerns. The information contained within this section should be considered only a part of a greater whole of information on the City's financial status.

The audited financial statements of the City for the year ended September 30, 2019 were issued with an auditor's report (predecessor auditor) dated June 28, 2021. Subsequent to the release, it was deemed necessary to restate the 2019 audited financial statement. The restated 2019 financial statements were made available on June 23, 2022. We make the readers aware that any reference made herein to the 2019 financial statements refers to the restated 2019 financial statements made available on June 23, 2022.

FINANCIAL HIGHLIGHTS

1. The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$38.5 million (net position).
2. The City's total net position increased by \$9.2 million, or 31.4% resulting from current City operations.
3. The City's governmental-type activities reported net position of \$24.4 million, representing a \$5.9 million or 31.9% increase when compared to the prior year's restated net position of \$18.5 million.
4. The City's business-type activities reported a net position of \$14.1 million, representing an increase of 3.3 million or 30.6% in comparison to the prior year's restated net position of \$10.8 million. This is attributed to an increase in deferred outflow of resources compiled with a slight decrease in capital assets.
5. At the end of the fiscal year, the Governmental Funds reported a fund balance of \$12.2 million, compared to \$7.4 million (restated) in the prior year. The change is mainly related to an increase in revenues.
6. The City's total liabilities for governmental activities decreased by \$0.4 million, or 1% during the current fiscal year as a result of 5% increase in current liabilities and 3% decrease in long-term liabilities.
7. The total liabilities outstanding for the City's business-type activities increased by \$0.5 million, or 3%. This increase is related to changes in pension, accounts payables and accrued liabilities, and long-term liabilities for water meter replacement and installation.

Overview of the Financial Statements

This annual report consists of four parts—management’s discussion and analysis (this section), the basic financial statements, required supplementary information and an additional section that presents combining statements for non-major governmental funds. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the City’s overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the City government, reporting the City’s operations in more detail than the government-wide statements.
- The governmental funds statements show how general government services such as public safety were financed in the short term as well as what remains for future spending.

The financial statements include *notes* explaining some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* which further explains and supports the information in the financial statements. In addition to these required elements, we have included a section with combining statements that provide details about our non-major governmental funds, each of which is added together and presented in a single column in the basic financial statements.

Users interested in “budgetary performance” will find that information available in the required supplementary information and other financial information following the notes to the financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The *government-wide* financial statements consist of a Statement of Net Position and a Statement of Activities. Both statements represent an overview of the City as a whole, separating its operations between governmental and business-type activities. All information is presented utilizing the economic resources measurement focus and accrual basis of accounting. This method better matches revenues and expenses to the period in which the revenues are earned and the expenses attributed, and it is a useful indicator of a government’s financial position.

The *Statement of Net Position* (the “Unrestricted Net Position”) is designed to be similar to a bottom line for the City and its governmental and business-type activities. This statement combines and consolidates governmental fund’s current financial resources (short-term spendable resources) with capital assets and long-term obligations. It presents information on all the City’s assets and deferred outflows of resources, on one hand; liabilities and deferred inflows of resources on the other hand; the difference between them, reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *Statement of Activities* is focused on both the gross and net cost of various activities (including governmental, business-type and component unit), which are provided by the government’s general tax and program revenues. This is intended to summarize and simplify the user’s analysis of the cost of various governmental services and the local taxing efforts necessary to sustain each of those activities.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes, charges for services, and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, transportation, cultural and recreational. The business-type activities include water and sewer, solid waste and storm water, where the fee for service typically covers all or most of the cost of operations and depreciation.

The government-wide financial statements can be found on pages 20-21 of this report.

FUND FINANCIAL STATEMENTS

Unlike government-wide financial statements, the focus of fund financial statements is directed to specific activities of the City rather than the City as a whole. Except for the General Fund, separate funds are established to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the funds of the City can be divided into two categories: governmental funds and proprietary funds.

GOVERNMENTAL FUNDS

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for the governmental funds with similar information presented for the governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

The City maintains individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the General Fund, which is considered to be a major fund. The Capital Projects Improvement Debt Service Fund was established to account for the proceeds of the 2011 and 2015 debt issuance and presented as a major fund. The City presents data from all other governmental funds in a single column (non-major funds). Individual fund data for each of these non-major governmental funds are included in the combining statements.

The City adopts an annual appropriated budget for its governmental funds. Budgetary comparison schedules have been provided for major funds within the governmental funds to demonstrate compliance with the funds' budgets.

The basic governmental fund financial statements can be found on pages 22-25 of this report.

PROPRIETARY FUNDS

Proprietary fund financial statements consist of a statement of net position, a statement of revenues, expenses, and changes in fund net position and a statement of cash flows. These statements are prepared on an accounting basis that is similar to the basis used to prepare the government-wide financial statements. For financial reporting purposes, proprietary funds are grouped into Enterprise Funds.

The City uses Enterprise Funds to account for business-type activities that charge fees to customers for the use of specific goods or services. These funds are used to report the same functions presented as business-type activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The City has three Enterprise Funds: Water and Sewer Fund, Solid Waste and Stormwater Fund. A statement of cash flows is presented at the fund financial statement level for the proprietary funds.

The basic proprietary fund financial statements can be found on pages 26-28 of this report.

THE OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS

When evaluating the financial position and short-term financial performance of the City, two tools are particularly valuable: The Statement of Net Position and the Statement of Activities. It is useful for the user to compare the current year with the prior year. This aids in spotting trends and other areas of concern or interest. For ease of relative comparisons, we include the percent change from one year to another (See below).

NOTES TO THE BASIC FINANCIAL STATEMENTS

The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 29-69 of this report.

OTHER INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information (RSI)* concerning the City's progress in funding its obligation to provide pension and other post-employment benefits to its employees. This section also includes a comparison between the City's adopted General Fund and final budget and actual financial results. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with this budget. The City also adopts an annual appropriated budget for each of its other governmental funds. Major governmental funds are presented as supplementary information.

Combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the Required Supplemental Information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Summary of Net Position. As noted earlier, Net Position may serve over time as a useful indicator of a government's financial position. There are six basic transactions that will affect the comparability of the Statement of Net Position summary presentation as reflected below:

1. *Net results of activities* will impact (increase/decrease) current assets and unrestricted Net Position.
2. *Borrowing for capital* will increase current assets and long-term debt.
3. *Spending borrowed proceeds on new capital* will reduce current assets and increase capital assets. There is a second impact, an increase in invested in capital assets and an increase in related net debt which will not change the net investment in capital assets.
4. *Spending of non-borrowed current assets on new capital* will reduce current assets, unrestricted Net Position, net investment in capital assets, and will increase capital assets.
5. *Principal payment on debt* will reduce current assets, long-term debt, unrestricted Net Position, and will increase net investment in capital assets.
6. *Reduction of capital assets through depreciation* will reduce capital assets and net investment in capital assets.

The following schedule is a summary of the fiscal year 2020 Statement of Net Position with comparative information for fiscal year 2019.

	Governmental Activities			Business-Type Activities			Total		
	FY2020	FY2019	Change	FY2020	FY2019	Change	FY2020	FY2019	Change
Current and other assets	\$ 18,678,805	\$ 12,804,303	46%	\$ 6,755,145	\$ 6,165,261	10%	\$ 25,433,950	\$ 18,969,564	34%
Capital assets, net	<u>33,055,060</u>	<u>33,936,512</u>	-3%	<u>26,933,321</u>	<u>27,192,843</u>	-1%	<u>59,988,381</u>	<u>61,129,355</u>	-2%
Total assets	<u>51,733,864</u>	<u>46,740,815</u>	11%	<u>33,688,466</u>	<u>33,358,104</u>	1%	<u>85,422,331</u>	<u>80,098,919</u>	7%
Deferred outflows of resources	<u>3,544,813</u>	<u>3,049,245</u>	16%	<u>393,868</u>	<u>415,806</u>	-5%	<u>3,938,681</u>	<u>3,465,051</u>	14%
Current and other liabilities	6,488,238	6,177,768	5%	5,800,312	5,191,877	12%	12,288,550	11,369,645	8%
Long-term liabilities	<u>22,699,545</u>	<u>23,418,134</u>	-3%	<u>14,037,103</u>	<u>14,126,495</u>	-1%	<u>36,736,649</u>	<u>37,544,629</u>	-2%
Total liabilities	<u>29,187,784</u>	<u>29,595,902</u>	-1%	<u>19,837,415</u>	<u>19,318,372</u>	3%	<u>49,025,199</u>	<u>48,914,274</u>	0%
Deferred inflows of resources	<u>1,662,598</u>	<u>2,427,886</u>	-32%	<u>184,733</u>	<u>331,075</u>	-44%	<u>1,847,331</u>	<u>2,758,961</u>	-33%
Net position:									
Invested in capital assets, net of related debt	25,350,702	22,030,441	15%	22,627,164	22,292,222	2%	47,977,866	44,322,663	8%
Restricted	5,142,566	8,839,335	-42%	-	-	0%	5,142,566	8,839,335	-42%
Unrestricted	<u>(6,064,971)</u>	<u>(13,103,503)</u>	-54%	<u>(8,566,978)</u>	<u>(8,167,759)</u>	5%	<u>(14,631,950)</u>	<u>(21,271,262)</u>	-31%
Total net position	<u>\$ 24,428,296</u>	<u>\$ 17,766,273</u>	37%	<u>\$ 14,060,186</u>	<u>\$ 14,124,463</u>	0%	<u>\$ 38,488,482</u>	<u>\$ 31,890,736</u>	21%

STATEMENT OF NET POSITION

The overall net position of the City increased in fiscal year 2020, from the prior year net position, by \$9.2 million or 31.4%. The net position was \$29.3 million (restated) in FY2019, and FY2020 net position is \$38.5 million. The changes in net position over time can be one of the best and most useful indicators of financial health.

The governmental activities of the City's current and other assets increased by 46% while the current liabilities of those activities increased by 5%. Meanwhile, the business-type activities of the City's current and other assets increased by 10% while the current liabilities of those activities increased by 12%.

The governmental activities invested in capital assets, net of related debt was \$22.0 million in the previous year and \$25.4 million in the current year. Meanwhile, the previous year's unrestricted net position was (\$13.1) million and is currently (\$6.1) million as a result of the prior period adjustment and necessary recognition and reclassification of certain types of capital assets.

The business-type activities invested in capital assets, net of related debt was \$22.3 million in the previous year and \$22.6 million in the current year. Meanwhile, the previous year's unrestricted net position was (\$8.2) million and is now (\$8.6) million mainly as a result of increases in the allowance for doubtful accounts and cash.



By far the largest portion of the City's net position is investment in capital assets (e.g., land, buildings and building improvements, and equipment); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to its citizens; however, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

STATEMENT OF ACTIVITIES

The following schedule is a summary of the fiscal year 2020 Statement of Activities with comparative information to fiscal year 2019:

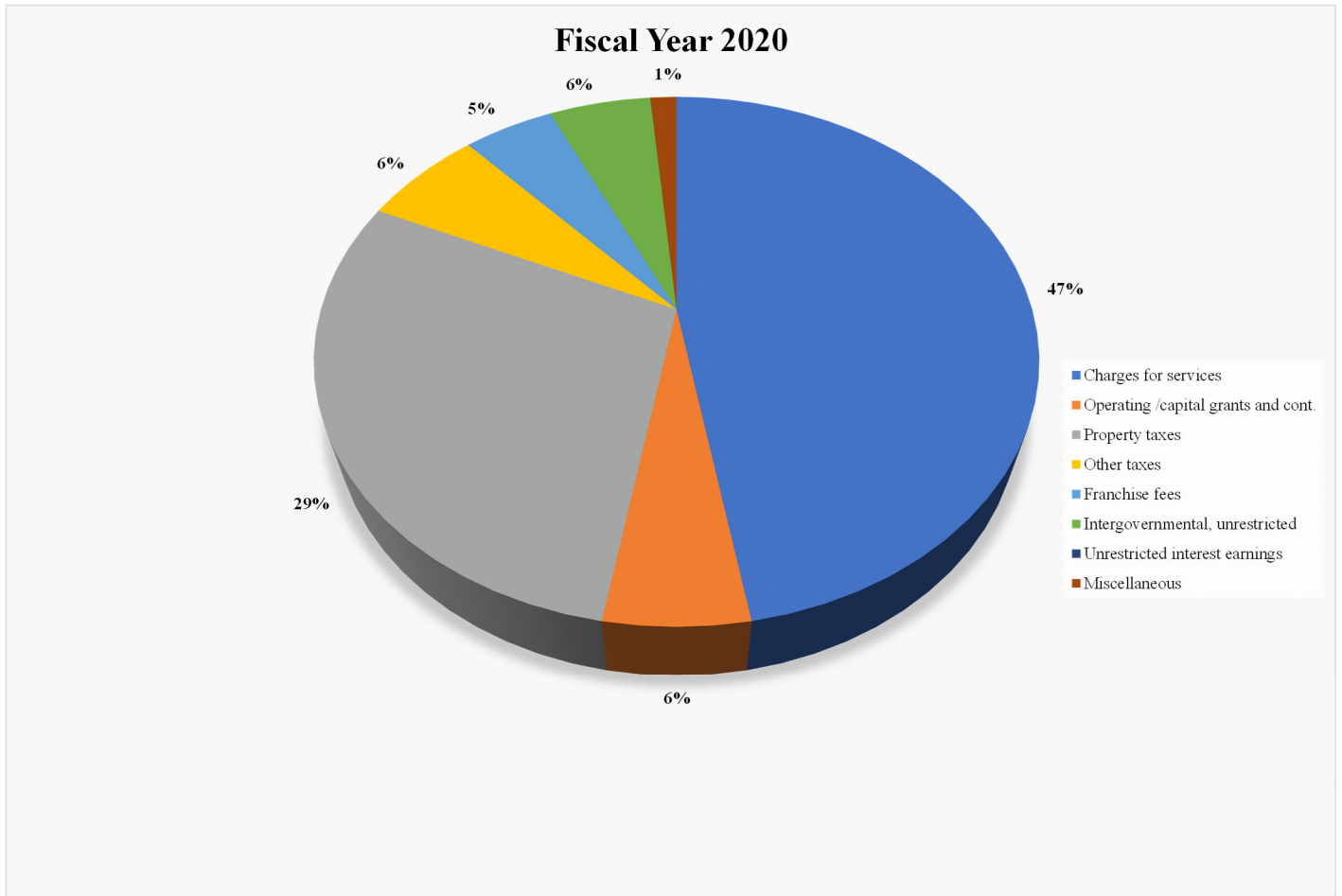
	Governmental Activities			Business-Type Activities			Total		
	FY2020	FY2019	Change	FY2020	FY2019	Change	FY2020	FY2019	Change
Revenues:									
Program revenues:									
Charges for services	\$ 3,439,001	\$ 1,544,202	123%	\$ 14,522,154	\$ 13,910,678	4%	\$ 17,961,156	\$ 15,454,880	16%
Operating /capital grants and cont.	2,061,896	1,039,836	98%	-	81,652	-100%	2,061,896	1,121,488	84%
General revenues:									
Property taxes	11,084,181	8,539,449	30%	-	-	0%	11,084,181	8,539,449	30%
Other taxes	2,431,055	2,542,276	-4%	-	-	0%	2,431,055	2,542,276	-4%
Franchise fees	1,836,982	1,962,804	-6%	-	-	0%	1,836,982	1,962,804	-6%
Intergovernmental, unrestricted	2,078,890	1,758,132	18%	-	-	0%	2,078,890	1,758,132	18%
Interest	636	33	1827%	-	24	-100%	636	57	1016%
Other	535,005	460,559	16%	805	5,549	-85%	535,810	466,108	15%
Total revenues	<u>23,467,645</u>	<u>17,847,291</u>	31%	<u>14,522,959</u>	<u>13,997,903</u>	4%	<u>37,990,605</u>	<u>31,845,194</u>	19%
Expenses and transfers:									
General government	8,199,011	6,409,284	28%	-	-	0%	8,199,011	6,409,284	28%
Public safety	6,949,109	6,434,509	8%	-	-	0%	6,949,109	6,434,509	8%
Transportation	1,160,566	1,937,852	-40%	-	-	0%	1,160,566	1,937,852	-40%
Culture and recreation	462,392	539,280	-14%	-	-	0%	462,392	539,280	-14%
Interest and fiscal charges	428,383	438,682	-2%	-	-	0%	428,383	438,682	-2%
Water and sewer	-	-	0%	10,985,895	15,209,280	-28%	10,985,895	15,209,280	-28%
Stormwater	-	-	0%	578,647	1,398,452	-59%	578,647	1,398,452	-59%
Transfers	344,971	-	0%	(344,971)	-	0%	-	-	0%
Total expenses	<u>17,544,432</u>	<u>15,759,607</u>	11%	<u>11,219,571</u>	<u>16,607,732</u>	-32%	<u>28,764,004</u>	<u>32,367,339</u>	-11%
Increase (decrease) in net positions	<u>5,923,213</u>	<u>2,087,684</u>	184%	<u>3,303,388</u>	<u>(2,609,829)</u>	-227%	<u>9,226,601</u>	<u>(522,145)</u>	-1867%
Net position, beginning	17,766,272	6,358,459	179%	14,124,463	1,785,862	691%	31,890,735	8,144,321	292%
Prior period adjustment	738,811	9,320,129		(3,367,665)	14,948,430		(2,628,854)	24,268,559	
Net position, beginning, as restated	<u>18,505,083</u>	<u>15,678,588</u>	18%	<u>10,756,798</u>	<u>16,734,292</u>	-36%	<u>29,261,881</u>	<u>32,412,880</u>	-10%
Net positions, ending	<u>\$ 24,428,296</u>	<u>\$ 17,766,272</u>	37%	<u>\$ 14,060,186</u>	<u>\$ 14,124,463</u>	0%	<u>\$ 38,488,482</u>	<u>\$ 31,890,735</u>	21%

The Statement of Activities reflects a 19% increase in overall revenues compared to the prior year. Meanwhile, total expenses decreased by 10%.

The governmental activities account for the most significant activities within the City, with total revenues of \$23.5 million. The overall governmental revenues increased by 31% over the prior year. This increase was primarily attributed to charges for services, property taxes, and operating and capital grants related to the COVID-19 pandemic.

The business-type activities represent water and sewer, solid waste and storm water operations which reflected a \$0.5 million or 4% increase in total revenues. The increase is due to the transitioning of the utility billing operation from the City to Miami Dade County's Water and Sewer Department (WASD), in addition to progressive billings by the City prior to the transitioning.

Sources of Revenue for Fiscal Year 2020



BUSINESS-TYPE ACTIVITIES

The Business-Type Activities are comprised of the Water and Sewer, Solid Waste and Stormwater Fund.

- The total revenues for the Proprietary or Enterprise Fund was approximately \$14.5 million, which was a 4% increase from the prior year's \$14.0 million. This improvement was the result of a combination of (a) transitioning the water, sewer and stormwater billings to Miami-Dade County Water & Sewer and (b) progressive billing practices within the City prior to the transition of water and sewer billings to Miami-Dade County Water & Sewer.
- The Solid Waste Fund activity is not being managed in house by the City and is being outsourced to Miami-Dade County.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the City's funding requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

On September 30, 2020, the City's governmental funds reported combined ending fund balance of \$12.2 million compared to \$7.4 million (restated) in the prior year. This increase of \$4.8 million in fund balance is mainly associated with additional property taxes received, intergovernmental funds, fines and forfeitures and other aggregate miscellaneous correction of errors from prior periods.

Most of the remaining fund balance is restricted to indicate that it is not available for new spending because it has already been committed or restricted to pay debt service, CRA, transportation, capital projects and public safety. Additionally, there are restrictions to cash on hand being held associated with the 2015A&B bonds held by City National Bank.

General Fund

The General Fund is the chief operating fund of the City. At the end of the current fiscal year the total fund balance equals \$7.1 million as compared to a deficit of \$1.5 million (restated) in the prior fiscal year, representing a significant increase due to increases in revenues.

Total revenues for the general fund rose by \$5.8 million, or 47%. This is related to increases in property taxes, permits and fees, fines and forfeitures, and intergovernmental revenues largely attributed to COVID-19 relief funds realized in the current year. It is important to note that a large source of state revenue sharing was withheld in fiscal year ending September 30, 2019 and some on September 30, 2020. As a result, these funds were not available to the City in accordance with Section 218.63(2), Florida Statutes.

Revenue in the general fund is shown in the following schedule:

General Fund Revenues	FY2020	Percent of Total	FY2019	Percent of Total	Increase (Decrease) From FY2019	Percent of Increase (Decrease)
Property taxes	\$ 10,349,888	57%	\$ 7,984,161	64%	\$ 2,365,727	30%
Utility service taxes	65,595	0%	77,475	1%	(11,880)	(15%)
Franchise fees	1,836,982	10%	1,962,804	16%	(125,822)	(6%)
Local business taxes	240,073	1%	284,844	2%	(44,771)	(16%)
Permits and fees	1,650,565	9%	693,714	6%	956,851	138%
Intergovernmental	1,774,972	10%	117,711	1%	1,657,261	1408%
Charges for services	118,997	1%	178,402	1%	(59,405)	(33%)
Fines and forfeitures	1,669,439	9%	662,776	5%	1,006,663	152%
Other revenue	<u>535,005</u>	<u>3%</u>	<u>460,559</u>	<u>4%</u>	<u>74,446</u>	<u>(16%)</u>
Total revenues	<u>\$ 18,241,516</u>	<u>100%</u>	<u>\$ 12,422,446</u>	<u>100%</u>	<u>\$ 5,819,070</u>	<u>47%</u>

Total expenditures for the general fund increased by \$3.5 million, representing a 26% increase in expenditures. This increase was largely due to a \$4 million increase in transfer out, not present in the prior year. Expenditures in the general fund are shown in the following schedule:

General Fund Expenditures	FY2020	Percent of Total	FY2019	Percent of Total	Increase	Percent of
					(Decrease) From FY2019	Increase /Decrease
General government	\$ 4,886,217	28%	\$ 5,586,321	41%	\$ (700,104)	-13%
Public safety	6,780,290	39%	6,430,103	47%	350,187	5%
Transportation	679,455	4%	882,692	6%	(203,237)	-23%
Culture and recreation	462,392	3%	539,280	4%	(76,888)	-14%
Debt service	53,161	0%	53,011	0%	150	0%
Capital outlay	254,935	1%	201,825	1%	53,110	26%
Transfer out	4,129,946	24%	-	0%	4,129,946	0%
Total expenditures	\$17,246,397	100%	\$ 13,693,232	100%	\$ 3,553,165	26%

Proprietary Funds

The City’s proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail. The unrestricted net position of the water and sewer, storm water, and solid waste funds at the end of the prior year was at a deficit of (\$8.2) million in prior year and is now at a deficit of (\$8.6) million. This was mainly attributed to soaring in managing operations and expenditures compiled with reducing bad debt expense in the current year as compared to the prior year. Bad debt expense in fiscal year 2020 was \$2.9 million versus \$5.2 million in the fiscal year 2019. The total net position for the enterprise fund improved slightly in fiscal year 2020 versus 2019: \$14.1 million in the current year versus \$14.1 million in the prior year. There was no significant change in net position for the proprietary funds – a slight decrease of \$64 thousand.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the year there were adjustments to the appropriations between the original and final amended budget. Overall, the City’s actual total revenues were more than budgeted while overall actual expenditures were less than budgeted; this created an excess of revenues and other financing sources over expenditures of \$5.1 million.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City’s total reported capital assets for its governmental and business type activities as of September 30, 2020, amounted to \$60 million (net of accumulated depreciation). This investment in capital assets includes land, buildings and buildings improvements, machinery and equipment, park facilities, roads, and utility systems infrastructure. The City’s investment in capital assets decreased by \$1.1 million for the current fiscal year, primarily due to increases in accumulated depreciation and depreciation expense as a result of increases in additions related to assets on both the governmental and business-type activities, along with disposals in the current year.

Major capital assets additions during the current fiscal year included the following:

- Construction in progress for Cairo Lane;
- Sewer line projects on Bahman Avenue;
- Meter replacement and installation;
- The milling and resurfacing of portions of the streets listed below:
 - Ahmad Street, Aladdin Street, Jann Avenue, Kalandar Street, N.W. 26th Avenue, Opa-locka Blvd and Sinbad Avenue;
- Vehicles, Furniture & Equipment.

**City of Opa-locka's Capital Assets
(Net of accumulated depreciation)**

	Governmental Activities		Business-Type Activities		Total	
	<u>FY2020</u>	<u>FY2019</u>	<u>FY2020</u>	<u>FY2019</u>	<u>FY2020</u>	<u>FY2019</u>
Land	\$ 3,613,009	\$ 3,613,009	\$ 14,762	\$ 14,762	\$ 3,627,771	\$ 3,627,771
Construction in progress	2,428,009	2,114,944	4,790,244	4,790,244	7,218,253	6,905,188
Buildings and building improvements	15,054,096	15,514,064	3,674,720	3,928,038	18,728,816	19,442,102
Furniture and equipment	437,149	621,440	3,030,054	2,702,913	3,467,203	3,324,353
Infrastructure	<u>11,522,797</u>	<u>12,073,054</u>	<u>15,423,541</u>	<u>15,756,887</u>	<u>26,946,338</u>	<u>27,829,941</u>
Total	<u>\$ 33,055,060</u>	<u>\$ 33,936,511</u>	<u>\$ 26,933,321</u>	<u>\$ 27,192,844</u>	<u>\$ 59,988,381</u>	<u>\$ 61,129,355</u>

Additional information on the City's capital assets can be found in Note 7 of the note disclosures accompanying this report.

Long-Term Liabilities

At the end of the current fiscal year, the City had total outstanding liabilities, both current and long-term, of \$36.8 million, exclusive of deferred inflow of resources. Refer to Note 9 for details on long-term liabilities.

	Governmental Activities		Business-Type Activities		Total	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Revenue bonds	\$ 8,513,179	\$ 11,906,072	\$ -	\$ -	\$ 8,513,179	\$ 11,906,072
Capital leases	114,406	-	202,524	-	316,930	-
Loans, State Revolving	-	-	4,753,412	4,900,621	4,753,412	4,900,621
Net pension liability	11,476,657	8,941,473	1,275,184	1,219,292	12,751,841	10,160,765
Liability to Miami-Dade	168,752	207,334	4,264,440	5,190,417	4,433,192	5,397,751
Liability to Miami-Dade (Meters)	-	-	2,372,917	1,600,000	2,372,917	1,600,000
Total OPEB liability	266,966	331,170	36,404	45,936	303,370	377,106
Compensated absences	1,906,710	1,779,211	132,221	100,228	2,038,931	1,879,439
Legal	<u>252,875</u>	<u>252,875</u>	<u>1,000,000</u>	<u>1,070,000</u>	<u>1,252,875</u>	<u>1,322,875</u>
Total	<u>\$ 22,699,545</u>	<u>\$ 23,418,135</u>	<u>\$ 14,037,102</u>	<u>\$ 14,126,494</u>	<u>\$ 36,736,647</u>	<u>\$ 37,544,629</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Although the City of Opa-locka has adopted several legislations to perform capital improvement projects to be completed during the fiscal year, unfortunately, due to the COVID-19 pandemic, the City was only able to accomplish four (4) of their major capital assets with the exception of the interior and exterior renovation of the 2105 Ali-Baba Project that had started in the fiscal year and was completed in future fiscal year 2021. The remaining capital assets were rolled over to be completed in the next fiscal year due to the challenges faced worldwide fighting the COVID-19 pandemic.

Major capital asset during the current fiscal year included the following:

- Pump Station Basin 5 – Pipe Lining of the Gravity Sewer Main.
- NW 139th Street – Temporary Roadway Repair.
- NW 141st Street – Temporary Roadway Repair.
- 2105 Ali-Baba Avenue – Roofing Services and Exterior/Interior Renovation Remodeling

Four of 19 pump stations remain out of compliance with Miami-Dade County's ("County") Department of Environmental Resources Management (DERM). These are stations 4, 5, 7, and 8. Gravity system lining for Pump Station Basin 5 was completed in the early months of the fiscal year, and the rest are expected to be completed during the upcoming fiscal year. It is expected that these improvements will greatly mitigate infiltration. Upon completion of these four projects, we will rehabilitate all the manholes, after which flow testing will be conducted to ensure compliance with the Miami-Dade County code.

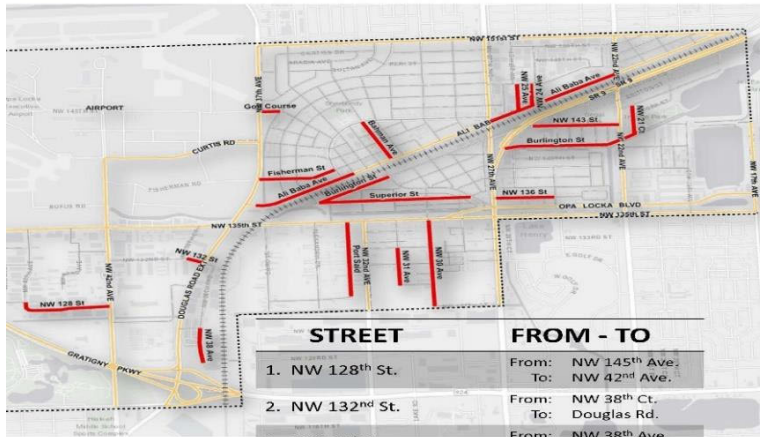
The County's Public Housing and Community Development provided the City with a second allocation of funds, in the amount of \$250,000 to bring the 2105 Ali Baba Avenue Cultural Arts Center into full compliance with ADA requirements. This will include renovations to the parking lot. The renovations to the Cultural Arts Center facility started during fiscal year 2020. During the fiscal year the roofing, demolition, electrical, plumbing and drywall were all approved through the Building and License Department. The overall construction is at 65% completion and the rest of the work is expected to be completed in the following fiscal year.

As a result of the contractor mutually terminating their contract with the City of Opa-locka for the improvement of Cairo Lane and NW 127 Street; leaving the project at 64% complete, the City met with the Florida Department of Environmental Protection (FDEP) to ensure there would be adequate funding to complete the project. It was at this time that the state required the City to retain the services of a professional engineer to ensure that the project design would be adequate for construction and evaluate all constructed aspects of the project. In response to this request, the City issued a Request for Qualification (RFQ) for architectural and engineering consulting services to secure a library of professional engineering service providers. One of the selected procured engineering services firms conducted an assessment and evaluation of the existing condition of Cairo Lane, NW 127th Street, and Alexandria Drive. As of July 2022, the professional engineer has completed their review and assessment and the City is now moving to the next phase of the project, which is preparing the criteria documents to put the project out for construction.

Plans for milling and resurfacing of the City's roadways were a continued priority during fiscal year 2020. There is approximately 10 miles of roadway that needs improvement, of which 3 miles are pending completion. Due to the magnitude of trucking and other traffic throughout the City detonating our roadways, this is an ongoing project. (See attached milling and resurfacing plan)



MILLING & RESURFACING PHASE 4 (6.5 miles) 2020

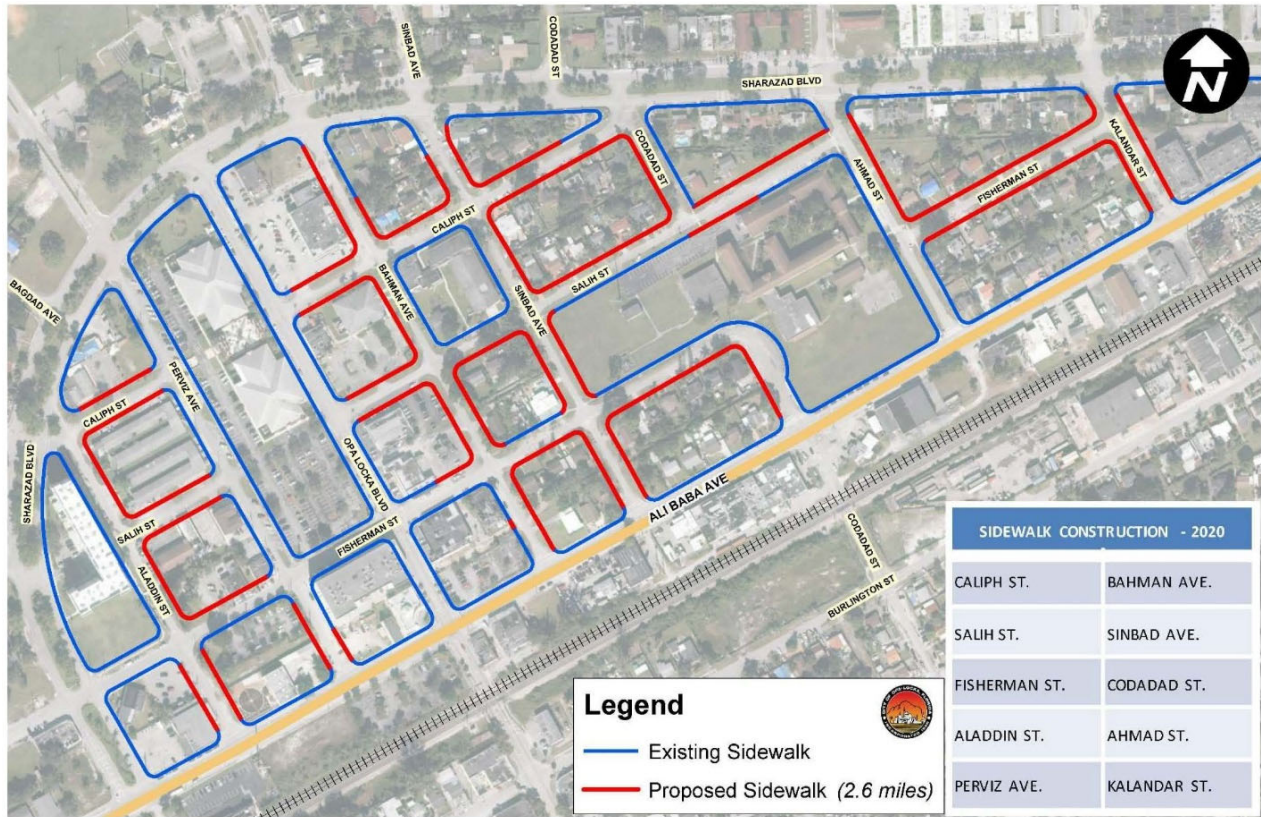


STREET	FROM - TO
1. NW 128 th St.	From: NW 145 th Ave. To: NW 42 nd Ave.
2. NW 132 nd St.	From: NW 38 th Ct. To: Douglas Rd.
3. NW 38 th Ave.	From: NW 38 th Ave. To: End of Street
4. Golf Course Blvd.	From: NW 37 th Ave. To: Jann Ave.
5. Bahman Ave.	From: Sharazad Blvd. To: Ali Baba Ave.

STREET	FROM - TO
6. Fisherman St.	From: Douglas Rd. To: Sharazad Blvd.
7. Ali Baba Ave.	From: Douglas Rd. To: Aladdin St.
8. Burlington St.	From: Superior St. To: Opa-Locka Blvd.
9. Superior St.	From: Burlington St. To: Opa-Locka Blvd.
10. Port Said Rd.	From: Port Said Rd. To: NW 127 th St.
11. NW 31 st Ave.	From: NW 132 nd Ter. To: NW 129 th St.
12. NW 30 th Ave.	From: NW 135 th St. To: NW 127 th St.
13. NW 25 th Ave.	From: NW 147 th St. To: Ali Baba Ave.
14. NW 24 th Ave.	From: NW 147 th St. To: Ali Baba Ave.
15. Ali Baba Ave.	From: NW 27 th Ave. To: NW 22 nd Ave.
16. NW 143 rd St.	From: Service Rd. To: NW 22 nd Ave.
17. Burlington St.	From: SR 9 To: NW 21 st Ct.
18. NW 21 st Ct.	From: Burlington St. To: End of Street
19. NW 136 th St.	From: NW 27 th Ave. To: NW 24 th Ave.

During this fiscal 2020, the City initiated the new sidewalk installation project that will be performed citywide. This is a continuing project to address the transportation smart plan for pedestrian access to mass transit. This project has been divided into different phases so that it can be more affordable. The first phase was approved in this fiscal year, but due to the COVID-19 pandemic, completed in the following fiscal year. This phase will address 2.6 miles of new sidewalk in the Town Center area.

Project map for Sidewalk Phase I is shown below.



Due to severe nature of destruction to the following streets: NW 139th Street and NW 141st Street, the Capital Improvement Department prioritized to mill and resurface the roadways until financing is available to make permanent repairs of the stormwater and roadway.

For fiscal year 2019-2020, the following construction projects were initiated:

- **Vitamin Shoppe Warehouse (STRK) Natural Vitamin Facility** – This development group has acquired a vacant 4-acre site from the State of Florida and are planning to develop a vitamin manufacturing and distribution facility. The project site is in an I-3 zoning district, but also requires a Land Use (LU) change since the property was previously owned by a governmental agency. The Planning and Zoning Appeals Board (PZAB) has already reviewed the LU Change, Site Plan and Development Agreement (DA). Project is under construction and will be completed in Summer 2022.
- **Sailboat Cove Townhouse (Phase III) Reso 03-6540** – New developers acquired phase two in May 2016. Construct of final phase 112 remaining units began in 2020 and was completed in December 2021.
- **CenterPoint Properties Truck parking/storage Facility** – This property was formerly owned by Academy Bus Tour Company. Property was sold and given consideration for a truck parking

operation. There was a change in plans for office building but no change in parking requirement due to previous plan exceeding requirements. New site plan and DA was recommended for approval by PZAB and approved by City Commission (CC). DA has been recorded. Construction completed and Certificate of Occupancy (CO) issued on May 25, 2021.

- **Seven Eleven (7/11) Gas Station** (3860 NW 135th Street) – U-Gas/7-11 Gas Station and Convenient Store – This is a 4200sf convenience store and car wash with 8 gas pumps and 5 diesel pumps for truck fueling. Site plan and DA approved by City Commission on February 27th, 2020. DA was executed and recorded. Construction completed in June 2021.
- **TNJ/Murphy Gas Station and Convenient Store** – This is a 2200sf convenient store with 8 gas pumps and 2 diesel pumps for truck fueling. Site plan and DA approved by City Commission. Construction began in December 2021 and was completed in April 2022.

For fiscal year 2020-2021, residential development will begin to experience an uptick in the City of Opa-locka. Several homes have been rehabbed with new windows, doors, and roofs through the PACE Energy Improvement Program. Three (3) new houses were built, which were at various stages of the planning phase. They are intended to be in the South Area of Town Center bounded by Opa-locka Boulevard to the Northeast, the CSX Railroad ROW to the Northwest and Atlantic Street to the South between NW 27th Avenue and Sesame Street. One house was an infill project built on a former City owned surplus vacant lot at 825 Superior Street. Two (2) new houses were built at 931 and 951 Superior Street on a site where the Historic King Truck Factory once stood. The 1930 structure was demolished in 2017 after years of neglect and fire took inside of the historic structure. In the Magnolia North area, the City is working with Miami-Dade County's Infill Housing Project team members for development located within the boundaries of NW 22nd Avenue and Ali-Baba to NW 151st Street to the railroad tracks.

There are seventeen (17) vacant properties assigned for residential development. Miami- Dade County's Public Housing and Community Development (PHCD) is working with City staff to develop these properties. Palmetto Homes is one of the developers selected by Miami-Dade County [per recommendation by PHCD] to build residential and mixed-use development in the Magnolia North area. Two-twin homes [4 units] are under construction and are scheduled to be completed in future fiscal years. This company has four more nearby sites to be built on during fiscal year 2021-2023. Cazo, another developer, has two projects planned for development, one is four twin houses [8-units] for homeownership, and the other is a 42-unit elderly assisted living apartment complex.

The City of Opa-locka recently transferred ownership of eleven (11) vacant parcels in the Magnolia North Area and is working with private developers to produce residential and mixed-use projects. The eleven 11 vacant City owned properties in Magnolia North were proffered as part of a settlement agreement. The properties with deed restriction and reverter clause with Miami-Dade County were resolved per legislation by the City of Opa-locka Commission's approval of a resolution for the deed restriction to be modified for residential development.

Miami-Dade County's Board of County Commissioners also approved this deed amendment. The legal settlement is almost complete, and Opa-locka PCD staff will be meeting with the new owners/developers to determine what will be built on these sites. In the Oasis Neighborhood just across the lake from Magnolia Gardens, 112-units of townhouse cluster homes are being developed as part of the final phase of a development called Mirage of Sailboat Cove. What originally started as 59 units for homeowners in 2005, will now include a phase of affordable workforce rentals, of which 24 units recently received their certificate of occupancy, and the remaining units are scheduled to be completed by the end of fiscal year 2021. Once complete, Mirage at Sailboat Cove will total 171 units, all two story three- and four-bedroom units with 2.5 bath. Commercial

and industrial projects are being planned.

The COVID-19 pandemic quickly re-shaped the goals and objectives for fiscal year 2020. Although projects were underway a quick adjustment was necessary to increase the flexibility of employee work locations including remote, while ensuring the security of the City's network and the data we manage. Throughout fiscal year 2020 the Information Technology Department supported citywide technology needs including: procurement, providing, and deployment of laptops for all essential staff; expanded the network capacity and cloud computing capabilities to support enterprise telework services; enabling additional virtual workspaces for projects and collaboration; enhanced anywhere/anytime mobile access to applications and documents; facilitating the implementation and providing technical support for virtual commission meetings where citizens and officials participated from multiple locations. Leveraging the functionalities of various tools allowed scalable, flexible and secure cloud-based platforms and enterprise systems to maintain operational capacity and business continuity; provide onsite and remote technical support to city employees and first responders; and procured and installed temperature scanning devices throughout public building in order to assist in reducing the possibility of spreading COVID-19.

On June 1, 2016, the City of Opa-locka City Commission adopted a Resolution to request a declaration that the City is in a state of financial emergency to seek the appointment of a financial emergency board and other assistance pursuant to section 218.503(1), Florida Statutes. The State of Florida, Office of the Governor, issued Executive Order 16-135, signed by Florida Governor Rick Scott. In 2020 and moving forward, the City will continue to pursue enhancement of its financial performance and operational and financial controls. Significant strides have been made since the initial declaration of a state of financial emergency, but much is still needed in several areas to reduce the gap in reporting actual operating activities.

Development of key operational liaisons will undoubtedly help in advancing audit inquiries compiled with significant effort in recruitment and hiring those individuals and other resources to help maintain the day-to-day financial operations to ensure enhanced timeliness of audited materials.

Plans for milling and resurfacing of the City's roadways continue to be a priority during fiscal year 2020 and it is ongoing. Such factors are considered when preparing the City of Opa-locka's budget.

Contacting the City's Finance Department

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability. Questions concerning any of the information provided in this report or requests for additional information should be addressed to The City of Opa-locka, Finance Department, 780 Fisherman Street 4th Floor, Opa-locka, Florida 33054. A copy of this report will also be available through the City's website.

BASIC FINANCIAL STATEMENTS

CITY OF OPA-LOCKA, FLORIDA

STATEMENT OF NET POSITION

SEPTEMBER 30, 2020

ASSETS	Governmental Activities	Business-Type Activities	Total
Current assets:			
Cash	\$ 8,764,256	\$ 3,321,767	\$ 12,086,023
Accounts receivable, net	2,629,747	3,598,893	6,228,640
Internal balance	1,651,313	(1,651,313)	-
Due from other governments	3,906,587	38,514	3,945,101
Prepays and other	4,877	-	4,877
Restricted cash	1,722,024	1,447,285	3,169,309
Total current assets	18,678,805	6,755,145	25,433,950
Non-current assets:			
Capital assets not being depreciated	6,041,018	4,805,006	10,846,024
Capital assets being depreciated	27,014,042	22,128,315	49,142,357
Total non-current assets	33,055,060	26,933,321	59,988,381
Total assets	51,733,864	33,688,466	85,422,331
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pension (See Note 10)	3,535,661	392,851	3,928,512
Deferred outflows related to OPEB (See Note 13)	9,152	1,017	10,169
Total deferred outflows of resources	3,544,813	393,868	3,938,681
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	3,169,948	2,213,585	5,383,532
Due to other governments	2,883,627	25,105	2,908,732
Customer deposits	33,795	3,561,622	3,595,417
Unearned revenue	400,869	-	400,869
Total current liabilities	6,488,238	5,800,312	12,288,550
Non-current liabilities:			
Due within one year:			
Compensated absences	190,671	13,222	203,893
Debt related to capital acquisitions	923,228	1,954,169	2,877,397
Due in more than one year:			
Compensated absences	1,716,039	118,998	1,835,037
Contingencies	252,875	1,000,000	1,252,875
Total OPEB liability	266,966	36,405	303,371
Debt related to capital acquisitions	7,704,358	3,001,767	10,706,125
Net pension liability (See Note 10)	11,476,657	1,275,184	12,751,840
Other long-term debt	168,752	6,637,358	6,806,110
Total non-current liabilities	22,699,545	14,037,103	36,736,649
Total liabilities	29,187,784	19,837,415	49,025,199
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pension (See Note 10)	1,574,230	174,914	1,749,144
Deferred inflows related to OPEB (See Note 13)	88,368	9,819	98,187
Total deferred inflows of resources	1,662,598	184,733	1,847,331
NET POSITION			
Net investment in capital assets	25,350,702	22,627,164	47,977,866
Restricted for:			
CRA	1,162,116	-	1,162,116
Public safety	119,110	-	119,110
Transportation	547,275	-	547,275
Capital projects	480,746	-	480,746
Debt service	2,833,319	-	2,833,319
Unrestricted	(6,064,971)	(8,566,978)	(14,631,950)
Total net position	\$ 24,428,296	\$ 14,060,186	\$ 38,488,482

See notes to basic financial statements

CITY OF OPA-LOCKA, FLORIDA

STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government	\$ 8,199,011	\$ 1,769,562	\$ 1,746,421	\$ 313,065	\$ (4,369,963)	\$ -	\$ (4,369,963)
Public safety	6,949,109	1,669,439	2,410	-	(5,277,260)	-	(5,277,260)
Transportation	1,160,566	-	-	-	(1,160,566)	-	(1,160,566)
Culture and recreation	462,392	-	-	-	(462,392)	-	(462,392)
Interest on long term debt	428,383	-	-	-	(428,383)	-	(428,383)
Total governmental activities	17,199,461	3,439,001	1,748,831	313,065	(11,698,564)	-	(11,698,564)
Business-type activities:							
Water and sewer	10,985,895	13,435,484	-	-	-	2,449,589	2,449,589
Stormwater	578,647	1,086,670	-	-	-	508,024	508,024
Solid waste	-	-	-	-	-	-	-
Total business-type activities	11,564,542	14,522,154	-	-	-	2,957,612	2,957,612
Total	\$ 28,764,004	\$ 17,961,156	\$ 1,748,831	\$ 313,065	(11,698,564)	2,957,612	(8,740,952)
General revenues							
Property taxes					11,084,181	-	11,084,181
Franchise fees					1,836,982	-	1,836,982
Utility taxes					1,459,231	-	1,459,231
Communication services tax					454,652	-	454,652
Local option, use and fuel taxes					277,099	-	277,099
Local business tax					240,073	-	240,073
Intergovernmental, unrestricted					2,078,890	-	2,078,890
Unrestricted interest earnings					636	-	636
Other					535,005	805	535,810
Transfers					(344,971)	344,971	-
Total general revenues and transfers					17,621,777	345,776	17,967,553
Change in net position					5,923,213	3,303,388	9,226,601
Net position, beginning, as previously stated					17,766,272	14,124,463	31,890,735
Prior period adjustment (See Note 18)					738,811	(3,367,665)	(2,628,854)
Net position, beginning, restated					18,505,083	10,756,798	29,261,881
Net position, ending					\$ 24,428,296	\$ 14,060,186	\$ 38,488,482

See notes to basic financial statements

CITY OF OPA-LOCKA, FLORIDA
BALANCE SHEET – GOVERNMENTAL FUNDS

SEPTEMBER 30, 2020

ASSETS	General Fund	Capital Projects Improvement Debt Service Fund	Other Non-Major Governmental Funds	Total
Cash	\$ 7,408,329	\$ -	\$ 1,355,927	\$ 8,764,256
Accounts receivable, net	1,656,218	123,925	580,570	2,360,713
Due from other funds	11,645,116	1,361,962	5,405,422	18,412,501
Due from other governments	1,723,193	500,069	1,952,360	4,175,622
Prepays and other	4,877	-	-	4,877
Restricted cash	759,354	891,403	71,267	1,722,024
Total assets	<u>23,197,087</u>	<u>2,877,359</u>	<u>9,365,547</u>	<u>35,439,992</u>
LIABILITIES				
Accounts payable and accrued liabilities	2,550,023	-	619,924	3,169,948
Due to other funds	10,626,997	44,040	6,090,151	16,761,188
Due to other governments	2,883,627	-	-	2,883,627
Customer deposits	33,795	-	-	33,795
Unearned revenue	-	-	400,869	400,869
Total liabilities	<u>16,094,442</u>	<u>44,040</u>	<u>7,110,944</u>	<u>23,249,426</u>
NET POSITION				
Non-spendable:				
Prepays and other	4,877	-	-	4,877
Restricted for:				
CRA	-	-	1,162,116	1,162,116
Public safety	-	-	119,110	119,110
Transportation	-	-	547,275	547,275
Capital projects	-	-	480,746	480,746
Debt service	-	2,833,319	-	2,833,319
Unrestricted	7,097,768	-	(54,644)	7,043,124
Total fund balances	<u>7,102,645</u>	<u>2,833,319</u>	<u>2,254,603</u>	<u>12,190,566</u>
Net position	<u>\$ 23,197,087</u>	<u>\$ 2,877,359</u>	<u>\$ 9,365,547</u>	<u>\$ 35,439,992</u>

See notes to basic financial statements

CITY OF OPA-LOCKA, FLORIDA
RECONCILIATION OF THE BALANCE SHEET OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2020

Fund balances - total governmental funds	\$	12,190,566
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Amounts reported for governmental activities in the statement of net position are different because:

Government capital assets net of accumulated depreciation	\$	33,055,060	
Long-term debt		(8,627,586)	
Net pension liability		(11,476,657)	
Compensated absences		(1,906,710)	
Total other post employment benefits		(266,966)	
Deferred inflows of resources		(1,662,598)	
Deferred outflows of resources		3,544,813	
Accrued legal settlement		(252,875)	
Other long term debt		<u>(168,752)</u>	
Net adjustment			<u>12,237,730</u>
Net position of governmental activities	\$		<u><u>24,428,296</u></u>

See notes to basic financial statements

CITY OF OPA-LOCKA, FLORIDA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – GOVERNMENTAL FUNDS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

REVENUES	General Fund	Capital Projects Improvement Debt Service Fund	Other Non-Major Governmental Funds	Total
Property Taxes	\$ 10,349,888	\$ -	\$ 734,293	\$ 11,084,181
Utility Taxes	65,595	1,393,636	-	1,459,231
Communication services taxes	-	454,652	-	454,652
Local option, use and fuel taxes	-	-	277,099	277,099
Local business taxes	240,073	-	-	240,073
Franchise fees	1,836,982	-	-	1,836,982
Permits and fees	1,650,565	-	-	1,650,565
Intergovernmental	1,774,972	1,892,798	473,016	4,140,785
Charges for services	118,997	-	-	118,997
Fines and forfeitures	1,669,439	-	-	1,669,439
Interest	-	59	577	636
Other	535,005	-	-	535,005
Total revenues	<u>18,241,516</u>	<u>3,741,144</u>	<u>1,484,985</u>	<u>23,467,645</u>
EXPENDITURES				
Current:				
General government	4,886,217	115,406	529,156	5,530,779
Public safety	6,780,290	-	168,819	6,949,109
Transportation	679,455	-	481,111	1,160,566
Culture and recreation	462,392	-	-	462,392
Debt service:				
Principal	46,628	3,431,424	-	3,478,052
Interest	6,533	421,850	-	428,383
Capital outlay	<u>254,935</u>	<u>-</u>	<u>194,272</u>	<u>449,207</u>
Total expenditures	<u>13,116,451</u>	<u>3,968,679</u>	<u>1,373,358</u>	<u>18,458,488</u>
Excess (deficiency) of revenues over expenditures	5,125,066	(227,535)	111,627	5,009,157
OTHER FINANCING SOURCES (USES):				
Initiation of capital lease	161,034	-	-	161,034
Transfer in	7,487,465	4,129,946	-	11,617,411
Transfer out	(4,129,946)	(7,487,465)	(344,971)	(11,962,382)
Total other financing sources (uses)	<u>3,518,553</u>	<u>(3,357,519)</u>	<u>(344,971)</u>	<u>(183,937)</u>
Net change in fund balances	8,643,618	(3,585,054)	(233,344)	4,825,220
Fund balances, beginning, as previously stated	(2,212,800)	6,101,588	2,737,747	6,626,535
Prior period adjustment	671,826	316,785	(249,800)	738,811
Fund balances, beginning, restated	(1,540,974)	6,418,373	2,487,947	7,365,346
Fund balances, ending	<u>\$ 7,102,645</u>	<u>\$ 2,833,319</u>	<u>\$ 2,254,603</u>	<u>\$ 12,190,566</u>

See notes to basic financial statements

CITY OF OPA-LOCKA, FLORIDA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$	4,825,220
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives and reported as depreciation expense. The amount by which capital outlays exceeded depreciation in the current period.

Expenditures for capital outlays and other capital asset changes	756,219	
Other capital asset adjustments and reclassification	413,140	
Less current depreciation	<u>(1,391,785)</u>	(222,426)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, and donations) to increase (decrease) net position.		(659,026)
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Issuance of long term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long term debt consumes the current financial resources of governmental funds. Neither transactions, has any effect on net position.		3,431,474
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Capital lease obligation		(114,406)
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported in the governmental funds. These activities consist of:

Change in deferred inflows and outflows relating to pensions, and the net pension liability	(1,274,328)	
Change in other post-employment benefit liability	64,203	
Change in compensated absences	<u>(127,499)</u>	(1,337,623)

Change in net position - governmental activities	\$	<u><u>5,923,213</u></u>
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See notes to basic financial statements

CITY OF OPA-LOCKA, FLORIDA

STATEMENT OF NET POSITION – PROPRIETARY FUNDS

SEPTEMBER 30, 2020

ASSETS	Water and Sewer	Other Non-Major Enterprise Funds	Total
Current assets:			
Cash	\$ 1,608,930	\$ 1,712,837	\$ 3,321,767
Accounts receivable, net	3,397,364	201,529	3,598,893
Due from other funds	5,930,639	3,238,111	9,168,750
Due from other governments	-	38,514	38,514
Restricted cash	1,337,285	110,000	1,447,285
Total current assets	<u>12,274,218</u>	<u>5,300,991</u>	<u>17,575,209</u>
Non-current assets:			
Capital assets, non-depreciable	4,515,949	289,056	4,805,006
Capital assets, depreciable	21,873,833	254,483	22,128,315
Total non-current assets	<u>26,389,782</u>	<u>543,539</u>	<u>26,933,321</u>
Total assets	<u>38,664,001</u>	<u>5,844,529</u>	<u>44,508,530</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions, (See Note 10)	392,851	-	392,851
Deferred outflows related to OPEB, (See Note 13)	936	81	1,017
Total deferred outflows of resources	<u>393,787</u>	<u>81</u>	<u>393,868</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	2,021,946	191,639	2,213,585
Due to other funds	7,585,741	3,234,322	10,820,064
Due to other governments	25,105	-	25,105
Customer deposits	3,497,548	64,075	3,561,622
Current portion of long term debt	590,575	59,204	649,779
Total current liabilities	<u>13,720,915</u>	<u>3,549,240</u>	<u>17,270,155</u>
Non-current liabilities:			
Compensated absences	97,763	34,458	132,220
Legal settlement	1,000,000	-	1,000,000
Total OPEB liability	33,371	3,034	36,405
Debt related to capital acquisitions	4,162,837	143,320	4,306,157
Net pension liability	1,275,184	-	1,275,184
Other long term debt	6,202,843	434,516	6,637,358
Total non-current liabilities	<u>12,771,997</u>	<u>615,327</u>	<u>13,387,324</u>
Total liabilities	<u>26,492,912</u>	<u>4,164,567</u>	<u>30,657,479</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions, (See Note 10)	174,914	-	174,914
Deferred inflows related to OPEB, See (Note 13)	9,033	785	9,819
Total deferred inflows of resources	<u>183,947</u>	<u>785</u>	<u>184,733</u>
NET POSITION			
Net investment in capital assets	22,226,945	400,219	22,627,164
Unrestricted	(9,846,016)	1,279,039	(8,566,977)
Total net position	<u>\$ 12,380,929</u>	<u>\$ 1,679,258</u>	<u>\$ 14,060,186</u>

See notes to basic financial statements

CITY OF OPA-LOCKA, FLORIDA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN

NET POSITION – PROPRIETARY FUNDS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

	Water and Sewer	Other Non-Major Enterprise Funds	Total
Operating revenues:			
Charges for services	\$ 13,435,484	\$ 1,086,670	\$ 14,522,154
Other	805	-	805
Total operating revenues	<u>13,436,289</u>	<u>1,086,670</u>	<u>14,522,959</u>
Operating expenses:			
Operating, administrative and maintenance	6,756,039	323,418	7,079,457
Bad debts and other	2,730,923	150,327	2,881,250
Depreciation	1,344,360	78,809	1,423,169
Total operating expenses	<u>10,831,322</u>	<u>552,553</u>	<u>11,383,875</u>
Operating income (loss)	2,604,966	534,118	3,139,084
Non-operating revenues (expenses)			
Interest and fiscal charges	(154,573)	(26,094)	(180,667)
Total non-operating revenues (expenses)	<u>(154,573)</u>	<u>(26,094)</u>	<u>(180,667)</u>
Income before transfers	2,450,393	508,024	2,958,417
Transfers in	344,971	-	344,971
Total transfers	<u>344,971</u>	<u>-</u>	<u>344,971</u>
Change in net position	<u>2,795,364</u>	<u>508,024</u>	<u>3,303,388</u>
Net position, beginning, as previously stated	12,802,824	1,321,639	14,124,463
Prior period adjustment	(3,217,260)	(150,405)	(3,367,665)
Net position, beginning, restated	<u>9,585,564</u>	<u>1,171,235</u>	<u>10,756,798</u>
Net position, ending	<u>\$ 12,380,929</u>	<u>\$ 1,679,258</u>	<u>\$ 14,060,186</u>

See notes to basic financial statements

CITY OF OPA-LOCKA, FLORIDA

STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

	Water and Sewer	Other Non-Major Enterprise Funds	Total
Cash flows from operating activities:			
Cash received from customers and users	\$ 9,981,876	\$ 369,564	\$ 10,351,440
Cash paid to vendors and suppliers	(4,290,522)	(191,977)	(4,482,419)
Cash paid to employees	(600,977)	(36,176)	(637,153)
Net cash provided (used) by operating activities	<u>5,090,377</u>	<u>141,411</u>	<u>5,231,868</u>
Cash flows from noncapital financing activities:			
Grants received	214,788	-	214,788
Transfers from/(to) other funds	(2,765,922)	(271,793)	(3,037,795)
Net cash provided (used) by noncapital financing activities	<u>(2,551,134)</u>	<u>(271,793)</u>	<u>(2,823,007)</u>
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(89,427)	-	(89,427)
Interest paid on long term debt	(117,340)	(26,093)	(143,433)
Proceeds from debt	579,310	-	579,310
Principal paid on debt	(1,556,044)	(152,945)	(1,708,989)
Net cash provided (used) by capital and related financing activities	<u>(1,183,501)</u>	<u>(179,038)</u>	<u>(1,362,539)</u>
Net increase (decrease) in cash	1,355,742	(309,420)	1,046,322
Cash, beginning	1,590,473	2,132,257	3,722,730
Cash, ending	<u>\$ 2,946,215</u>	<u>\$ 1,822,837</u>	<u>\$ 4,769,052</u>
Display as:			
Unrestricted	\$ 1,608,930	\$ 1,712,837	\$ 3,321,767
Restricted	1,337,285	110,000	1,447,285
Total	<u>\$ 2,946,215</u>	<u>\$ 1,822,837</u>	<u>\$ 4,769,052</u>
Reconciliation of operating income to cash provided (used) by operating activities:			
Operating income (loss)	\$ 2,450,393	\$ 508,024	\$ 2,958,417
Adjustment to reconciled operating income to net cash provided by (used in) operating activities:			
Depreciation expenses	1,344,360	78,809	1,423,169
(Increase) decrease in:			
Accounts receivable	(261,824)	(12,105)	(273,929)
Due from other governments	252,050	-	252,050
Deferred outflow	22,020	(102)	21,918
Prepaid and other assets	29,149	-	29,149
Due from other funds	(675,588)	(683,541)	(1,358,979)
Increase (decrease) in:			
Accounts payable and accrued liabilities	980,809	(73,125)	907,684
Customer deposits	17,965	(70)	17,825
Compensated absences	25,846	6,147	31,993
Deferred inflow	(147,128)	-	(147,128)
Other liabilities and pension	(226,491)	105,106	(121,385)
Due to other funds	1,595,960	212,268	1,808,228
Due to other governments	(317,144)	-	(317,144)
Net cash provided (used) by operating activities	<u>\$ 5,090,377</u>	<u>\$ 141,411</u>	<u>\$ 5,231,868</u>

See notes to basic financial statements

NOTES TO FINANCIAL STATEMENTS

CITY OF OPA-LOCKA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Opa-locka, Florida (the “City”) in Miami-Dade County, Florida (the “County”) was incorporated in 1926 by the Laws of Florida Chapter 13187. The City comprises approximately 4.5 square miles of land, operates under a Commission/City Manager form of government, and provides municipal services to its residents, including general government, public safety, transportation, and parks and recreation. The City also operates water, sewer, and storm water enterprises.

The accounting policies of the City conform to accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. This report, the accounting systems, and classification of accounts conform to standards of the Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the City are described below.

A. Reporting Entity

The financial reporting entity covered by this report includes the City and its component unit. The reporting entity has been defined in accordance with GASB Codification of Governmental Accounting and Financial Reporting Standards Section 2100. The accompanying financial statements include those of the City (the primary government) and those of its component unit. Component units are legally separate organizations for which the primary government is financially accountable or organizations which should be included in the City’s financial statements because of the nature and significance of their relationship with the primary government. GASB Codification of Governmental Accounting and Financial Reporting Standards Section 2100 provides guidance for the inclusion of a legally separate entity as a component unit of an entity. The application of this guidance provides for identification of entities for which the City is financially accountable or organizations that the nature and significance of their relationship with the City are such that exclusions would cause the City’s basic financial statements to be misleading or incomplete.

Based upon the application of GASB Codification Section 2100, the component units listed below has been included in the City’s reporting entity as a blended component unit.

Blended component units, although legally separate entities, are in substance part of the City’s operations. Accordingly, data from these component units are included with data of the primary government. The financial balances and activities of the blended component unit are as of and for the fiscal year ended September 30, 2020.

CITY OF OPA-LOCKA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

A. Reporting Entity (cont'd)

Blended Component Units

Blended component units are separate legal entities that meet the component unit criteria described and whose government body is the same, or substantially the same and 1) there is a financial benefit or burden relationship between the primary government and the component unit or 2) management below the level of the governing board of the primary government has operational responsibility for a component unit.

The Opa-locka Community Redevelopment Agency (CRA) is a dependent special district established by the City Commission in 2011 and approved by Miami-Dade County in 2013 under the authority granted by Florida Statute 163, section III. The CRA is a legal entity governed by a seven-member board appointed by the City Commission, the Miami-Dade County, District One Commissioner, and the Office of the Governor. The Board currently is comprised of the Mayor, Vice-mayor, three City Commissioners, and an appointee from the Miami-Dade County Commissioner and the Florida Governor's Office. Its sole purpose is to finance the City's designed redevelopment areas through Tax Increment Financing (TIF). The CRA can provide assistance for redevelopment within the CRA area.

The CRA continued to operate in a limited-active phase based on limited tax increment funds produced by ad valorem taxes. For the fiscal year ended September 2020, there was approximately \$734,293 in revenues. Although the CRA activities did not meet the major fund criteria, the CRA's financial data is presented within the City's major governmental funds in order to comply with the audit requirements of F.S. 163.387(8) and is part of non-major governmental funds. As required by Section 163.387, Florida Statutes, a set of financial statements are also issued separately for the CRA.

Special Districts

The City passed ordinances in prior years establishing various neighborhood improvement districts. The following neighborhood improvement districts, which are considered to be component units of the City, are typically included in the non-major governmental fund financial statements. As of September 30, 2020 no amounts are reported for the following three neighborhood improvement districts given no opening fund balance existed (as of October 1, 2019) and the districts had no activity during the fiscal year ended September 30, 2020. No separate financial statements are issued. Subsequent to September 30, 2020, a Resolution was approved by the City Commission to dissolve the three neighborhood improvement districts.

- 1) East-West Neighborhood Improvement District
- 2) Ali-Baba Neighborhood Improvement District
- 3) Niles Garden Neighborhood Improvement District

CITY OF OPA-LOCKA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and statement of activities) report information on all the activities of the City. For the most part, the effect of inter-fund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for service.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not included among program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major funds, respectively.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement* focus and the *accrual basis of accounting*, as are the proprietary fund statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement* focus and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within sixty (60) days of the end of the current fiscal period, with the exception of expenditure driven (reimbursements) grants, for which the availability period is one year.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

CITY OF OPA-LOCKA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (cont'd)

Property taxes, sales taxes, utility taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The financial transactions of the City are recorded in individual funds. The operations of each fund are accounted for using a separate set of self-balancing accounts which comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equities, revenue and expenditure or expenses. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. Accounting principles generally accepted in the United States of America set forth minimum criteria for determination of major funds based on the percentage of the applicable category balances. The non-major funds are presented in one column in the respective fund financial statements.

The City reports the following major governmental funds:

The **General Fund** is the general operating fund of the City. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The **Capital Improvement Debt Service Fund** is used to account for the Series 2011 A&B Capital Improvement Revenue Bonds and the 2015 A&B Capital Improvement Revenue Bonds.

The City reports the following major proprietary fund:

The **Water and Sewer Fund** is used to account for the operation and maintenance of the City's water and sewer system.

As a general rule the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments and other charges between the City's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's water and sewer and storm water enterprise funds, are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

CITY OF OPA-LOCKA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (cont'd)

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results.

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position/Fund Balance

1. Encumbrances

Encumbrances accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to serve that portion of the applicable appropriation, is employed in the General and Capital Projects Funds. Encumbrances outstanding at the balance sheet date are canceled.

2. Deposits and Investments

The City considers cash on hand, cash with fiscal agents, demand deposits, and certificates of deposit with and original maturity of (90) ninety days or less to be cash.

For purposes of the statement of cash flows for proprietary fund types of fund; all highly liquid investments (including restricted assets) with maturity of three months or less when purchased are considered to be cash equivalents. The City does not have any cash equivalents as of September 30, 2020.

Although allowed by the City's investment policy, the City does not currently hold Investments of U.S. Government securities, and certificates of deposit with financial institutions.

3. Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. The City calculates its allowance for uncollectible receivables using historical collection data, specific account analysis, and management's judgment. Major receivables balances for the governmental activities include franchise fees, utility taxes, Town Center rent, and amounts due from other governments. Business-type activities report utility billings as major receivables.

4. Restricted Assets

Restricted assets include cash and cash equivalents of the governmental and enterprise funds that are legally restricted as to their use. Cash and cash equivalents are restricted for debt service, customers' deposits, revenue bond requirement, and sewer system improvements.

CITY OF OPA-LOCKA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position/Fund Balance (cont'd)

5. Capital Assets

Capital assets, including land, buildings, improvements, infrastructure, and equipment assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$500 and an initial useful life of one year or greater. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extended the life of the asset are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is expensed accordingly.

Buildings, improvements, infrastructure, and equipment assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Building Improvements	10-50
Infrastructure Systems	30
Equipment	3-10
Vehicles	3-10

6. Interfund Transactions

Activities between funds that are representative of lending/borrowing arrangements at the end of the fiscal year are referred to as “due to/from other funds” or “advances to/from other funds”. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”.

Normally, non-current portions of long-term interfund loan receivables are reported as advances within the governmental funds and are offset equally by a fund balance reserve account which indicates that they do not constitute expendable available financial resources, and therefore, are not available for appropriation.

CITY OF OPA-LOCKA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position/Fund Balance (cont'd)

Transactions that constitute reimbursements to a fund for expenditures initially made from it, which are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the reimbursed fund. Transactions, which constitute the transfer of resources from a fund receiving revenues to a fund through which the revenues are to be expended, are separately reported in the respective funds' operating statements as transfers in and out.

7. Deferred Outflows of Resources

The statement of net position includes a separate section, listed below Total Assets, for Deferred Outflows of Resources. This represents the usage of net position applicable to future periods and will not be recognized as expenditures until the future period to which it applies. Items in this category include deferred items related to pension and OPEB on the Government-wide Statement of Net Position. A deferred charge on refunding would be applicable when there is a difference between the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or the refunding debt.

8. Unearned Revenue

Unearned revenue is recorded for governmental fund receivables that are measurable and available, but have not met the criteria for revenue recognition, such as donations or grants received for specific projects. These are recorded as unearned revenue in the government-wide and fund statements.

9. Compensated Absences

It is the City's policy to permit employees to accumulate, with certain limits, earned but unused vacation time and sick leave hours for subsequent use or for payment upon termination, death, or retirement. For government-wide statements and proprietary fund types, these accumulations are recorded as expenses and liabilities of the appropriate fund in the fiscal year earned. For governmental fund types, the amount of accumulated unpaid vacation and sick leave that is payable from available resources is recorded as a liability of the respective fund only if they have matured, for example, as a result of employee retirements and resignations.

10. Long-Term Debt

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bonds payable are reported net of the applicable premium or discount. These premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bond issuance costs are expensed in the year they are incurred. The results of using this method do not differ significantly from those using the effective interest method.

CITY OF OPA-LOCKA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position/Fund Balance (cont'd)

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, where applicable, during the current period. The face amount of debt issued is reported as other financing sources. Payments on debt are recorded as reductions of the debt. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Debt issuance costs, except any portion related to prepaid insurance costs, are recognized as an expense in the period incurred in government-wide and proprietary fund statements. Prepaid insurance costs are reported as an asset and recognized as an expense over the duration of the related debt.

11. Deferred Inflows of Resources

The Statement of Net Position includes a separate section, listed below Total Liabilities, for Deferred Inflows of Resources. This represents the acquisition of net position applicable to future periods and will not be recognized as revenue until the future period to which it applies. In the governmental funds, this category may include unavailable revenue, whereas in the government-wide and the proprietary fund statements. It includes resources related to pension and OPEB, which will be recognized as inflows of resources in the period that the amounts become available.

12. Net Position and Fund Balance

Net position in the government-wide and proprietary funds is categorized as net investment in capital assets; restricted or unrestricted. Net investment in capital assets is the difference between the cost of capital assets, less accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets plus unspent bond proceeds.

Restricted balances consist of net position with constraints placed on their use by external parties (creditors, grantors, contributors, laws or regulations of other governments) or imposed by law through constitutional provisions or enabling legislation. Unrestricted balances indicate the portion of net position that is available to fund future operations.

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Amounts that can only be used for specific purposes pursuant to constraints imposed by the City Commission through an ordinance or resolution are classified as committed fund balances. Amounts that are constrained by the City's intent to be used for specific purposes but are neither restricted nor committed are classified as assigned fund balances. Assignments are made by City management based on Commission direction. Non-spendable fund balances

CITY OF OPA-LOCKA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position/Fund Balance (cont'd)

include amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Unassigned fund balance is the residual classification only for the general fund. It is also used to report negative/deficit fund balance in other funds.

In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Amounts that are restricted to specific purposes either by constraints placed on the use of resources by (a) creditors, grantors, contributors, laws, or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation are classified as restricted.

E. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes.

NOTE 2. DEFICIT FUND BALANCE

The City reported a deficit fund balance/net position in the Solid Waste Fund of (\$23,097). This is considered a non-major fund. The deficit balance will be rectified following a revision of the budget in FY2021.

NOTE 3. PROPERTY TAXES

Property taxes are levied on the first of November each year, at which time taxes become an enforceable lien on property assessed as of the previous January. Tax bills are payable upon receipt with discount rates of one to four percent allowed if paid prior to March 1 of the following calendar year. Taxes become delinquent on April 1 of the year following the year of assessment and State law provides for enforcement of collection of property taxes by the sale of interest-bearing tax certificates and the seizure of personal property to satisfy unpaid property taxes. Miami-Dade County bills and collects all property taxes for the City and sells tax certificates for delinquent taxes.

The City's gross taxable property value as of January 1, 2019, as provided by the Miami-Dade Property Appraiser, was \$1.15 billion. For the fiscal year of October 1, 2019, to September 30, 2020, the City Commission adopted a millage rate of \$9.8 per \$1,000 of taxable value, which resulted in approximately \$10.719 million of property tax revenue. \$501,826 was provided to the Opa-locka Community Redevelopment Agency (CRA) as Tax Increment Financing (TIF) revenue, while Miami-Dade County provided an additional \$232,466 to the CRA.

No accrual for the property tax levy becoming due in November 2020 is included in the accompanying financial statements since the legal right to receive these taxes occurs on November 1, 2020, and such taxes are collected to finance expenditures of the fiscal year ending September 30, 2021.

CITY OF OPA-LOCKA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

NOTE 4. DEPOSITS AND INVESTMENTS

As of September 30, 2020, the City's cash is considered to be cash on hand, and demand deposits.

Deposits

All deposits with financial institutions are fully insured or collateralized as required by the City Commission. The deposits are covered by federal depository insurance and, for the amount in excess of such federal depository insurance, by the State of Florida's Public Deposits Act ("the Act"). Provisions of the Act require that public deposits may only be made at qualified public depositories. The Act requires each qualified public depository to deposit with the State Treasurer eligible collateral equal to or in excess of the required collateral as determined by the provisions of the Act. In the event of a failure by a qualified public depository, losses, in excess of federal depository insurance and proceeds from the sale of the securities pledged by the defaulting depository, are assessed against the other qualified public depositories of the same type as the depository in default. Therefore, all deposits are insured or collateralized.

Investments

The City is authorized to make direct investments in U.S. government, federal agency, and instrumentality obligations at a price not to exceed the market price at the time of purchase. In addition, the City may invest in certificates of deposits with financial institutions insured by the United States government or agencies thereof and repurchase agreements.

As of September 30, 2020, the City had no investments.

CITY OF OPA-LOCKA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

NOTE 5. ACCOUNTS RECEIVABLE

Receivable balances and the allowance for uncollectible accounts as of September 30, 2020, were as follows:

	Accounts <u>Receivable</u>	Due from <u>Other Agencies</u>	Allowance for <u>Uncollectibles</u>	<u>Net</u>
Governmental activities:				
General fund	\$ 1,910,455	\$ 1,723,193	\$ (254,238)	\$ 3,379,411
Capital projects and debt service	123,925	500,069	-	623,994
Safe neighborhood capital projects	-	993,635	-	993,635
People's transportation	-	1,539,295	-	1,539,295
Total governmental activities	<u>\$ 2,034,380</u>	<u>\$ 4,756,192</u>	<u>\$ (254,238)</u>	<u>\$ 6,536,335</u>
Business-type activities:				
Water and sewer	\$ 12,255,809	\$ -	\$ (8,858,445)	\$ 3,397,364
Stormwater	1,061,098	38,514	(859,569)	240,042
Total business-type activities	<u>\$ 13,316,907</u>	<u>\$ 38,514</u>	<u>\$ (9,718,014)</u>	<u>\$ 3,637,407</u>

As of September 30, 2020, the allowance for uncollectible accounts was \$254,238 for governmental activities, while the allowance for uncollectible accounts was \$9.7 million under the business-type activities. An allowance for uncollectible accounts is a contra account that nets against the total receivables presented on the balance sheet to reflect only the amounts expected to be paid and estimated accounts receivable that are expected to be uncollectible on the balance sheet to reflect only the amounts expected to be paid and estimated accounts receivable that are expected to be uncollectible.

NOTE 6. INTERFUND BALANCES AND TRANSFERS

Transfers are used to (1) move revenues from the fund that statute or budget requires collecting them to the fund that statute or budget requires to expend them or (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. These transfers are eliminated in the consolidation, by column, for the Governmental Activities. Interfund balances result from the time lag between the dates that (1) interfund goods and services are provided, or reimbursable expenditures occur, (2) transactions are recorded in the accounting system and (3) payments between funds are made.

CITY OF OPA-LOCKA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

NOTE 6. INTERFUND BALANCES AND TRANSFERS (cont'd)

Interfund balances as of September 30, 2020, consisted of the following:

	Due from Other Funds	Due to Other Funds	Net
Major governmental fund:			
General Fund	\$ 11,645,116	\$ 10,626,997	\$ 1,018,119
Capital improvement debt service	1,361,962	44,040	1,317,922
Non-Major governmental funds	5,405,422	6,090,151	(684,728)
Major enterprise fund:			
Water and sewer	5,930,639	7,585,741	(1,655,102)
Non-major enterprise funds	3,238,111	3,234,322	3,789
Total	<u>\$ 27,581,251</u>	<u>\$ 27,581,251</u>	<u>\$ -</u>

Transfer in and transfer out for the fiscal year ended September 30, 2020, consisted of the following:

	Transfers from Other Funds	Transfers to Other Funds	Net
Major governmental fund:			
General Fund	\$ 7,487,465	\$ 4,129,946	\$ 3,357,519
Capital improvement debt service	4,129,946	7,487,465	(3,357,519)
Non-Major governmental funds	-	344,971	(344,971)
Major enterprise fund:			
Water and sewer	344,971	-	344,971
Total	<u>\$ 11,962,382</u>	<u>\$ 11,962,382</u>	<u>\$ -</u>

A transfer totaling \$2.6 million was made from the Capital Improvement Debt Service Fund into the General Fund after City National Bank lifted restrictions from the City's debt service account in relation to the Series 2015 A&B bonds. An additional \$1.2 million of unrestricted funds was transferred from the Capital Improvement Debt Service Fund into the General Fund in relation to excess pledged revenues for the Series 2011 A&B bonds.

Furthermore, a transfer of \$344,971 was made from the Community Redevelopment Agency into the Water and Sewer Fund. This transfer fulfills the obligation that the Community Redevelopment Agency had to the Water and Sewer Fund as a result of prior period transfers made between 2013 and 2015 from the Water and Sewer Fund into the Community Redevelopment Agency. This repayment of prior year obligations was approved by Resolution 2020-07 of the Community Redevelopment Agency.

In light of the declared financial emergency and COVID-19, City management is evaluating its interfund balances in a reasonable time to determine whether any portion of the interfund loan that is not expected to be repaid be reclassified as a transfer. This will be reviewed in conjunction with the budgetary process in fiscal year 2023.

CITY OF OPA-LOCKA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

NOTE 7. CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended September 30, 2020:

	<u>Balance</u> <u>9/30/2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>9/30/2020</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 3,613,009	\$ -	\$ -	\$ 3,613,009
Construction in progress	2,114,944	313,065	-	2,428,009
Total assets not being depreciated	<u>5,727,953</u>	<u>313,065</u>	<u>-</u>	<u>6,041,018</u>
Capital assets being depreciated:				
Buildings and improvements	20,337,458	15,800	(225,274)	20,127,984
Vehicles, Furniture, and Equipment	4,381,274	237,488	(379,469)	4,239,293
Infrastructure	22,710,283	189,866	-	22,900,149
Total assets being depreciated	<u>47,429,015</u>	<u>443,154</u>	<u>(604,743)</u>	<u>47,267,426</u>
Less accumulated depreciation:				
Buildings and improvements	(4,823,394)	(400,800)	150,306	(5,073,888)
Vehicles, Furniture, and Equipment	(3,759,834)	(250,862)	208,552	(3,802,144)
Infrastructure	(10,637,229)	(740,123)	-	(11,377,352)
Total accumulated depreciation	<u>(19,220,457)</u>	<u>(1,391,785)</u>	<u>358,858</u>	<u>(20,253,384)</u>
Total capital assets being depreciated, net	<u>28,208,558</u>	<u>(948,631)</u>	<u>(245,885)</u>	<u>27,014,042</u>
Governmental activities capital assets, net	<u>\$ 33,936,511</u>	<u>\$ (635,566)</u>	<u>\$ (245,885)</u>	<u>\$ 33,055,060</u>

CITY OF OPA-LOCKA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

NOTE 7. CAPITAL ASSETS (cont'd)

	Balance <u>9/30/2019</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>9/30/2020</u>
Business-Type Activities:				
Capital assets not being depreciated:				
Land	\$ 14,762	\$ -	\$ -	\$ 14,762
Construction in progress	4,790,244	-	-	4,790,244
Total assets not being depreciated	<u>4,805,006</u>	<u>-</u>	<u>-</u>	<u>4,805,006</u>
Capital assets being depreciated:				
Buildings and improvements	6,176,247	22,022	-	6,198,269
Vehicles, Furniture, and Equipment	5,811,272	1,206,671	-	7,017,943
Infrastructure	20,841,570	67,405	-	20,908,975
Total assets being depreciated	<u>32,829,089</u>	<u>1,296,098</u>	<u>-</u>	<u>34,125,187</u>
Less accumulated depreciation:				
Buildings and improvements	(2,248,209)	(275,339)	-	(2,523,548)
Vehicles, Furniture, and Equipment	(3,108,361)	(879,529)	-	(3,987,890)
Infrastructure	(5,084,682)	(400,751)	-	(5,485,433)
Total accumulated depreciation	<u>(10,441,252)</u>	<u>(1,555,619)**</u>	<u>-</u>	<u>(11,996,871)</u>
Total capital assets being depreciated, net	<u>22,387,837</u>	<u>(259,521)</u>	<u>-</u>	<u>22,128,315</u>
Business-type activities capital assets, net	<u>\$ 27,192,843</u>	<u>\$ (259,521)</u>	<u>\$ -</u>	<u>\$ 26,933,321</u>

Depreciation expense was charged to functions/programs of the City as follows:

Governmental activities:	
General government	\$ 941,273
Public safety	72,206
Transportation	314,434
Parks and recreation	63,873
Total	<u>\$ 1,391,785</u>
Business-type activities	
Water and sewer	\$ 1,344,360
Stormwater	78,809
Total	<u>\$ 1,423,169</u>

** The above amount is inclusive of depreciation expense previously recognized in the governmental activities in the amount of \$132,450, in the prior year and reclassified to business-type activities in the current year. The above includes a transfer of the corresponding asset from governmental activities to business-type activities.

CITY OF OPA-LOCKA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

NOTE 8. LEASES

Capital Leases

In prior years, the City entered into lease agreements as lessee for financing the acquisition of various vehicles. These lease agreements qualified as capital leases for accounting purpose.

These leases have been recorded at the present value of the future minimum lease payments as of the inception date.

The capital assets acquired through capital leases are as follows:

	Governmental Activities	Business-Type Activities	Total
Vehicles, furniture, and equipment	\$ 161,034	\$ 433,752	\$ 594,786
Less: accumulated depreciation	<u>(27,883)</u>	<u>(211,415)</u>	<u>(239,298)</u>
Total, net	<u>\$ 133,151</u>	<u>\$ 222,337</u>	<u>\$ 355,488</u>

The governmental activities minimum lease payment amounted to \$46,628 in 2020. In the business-type activities, the minimum lease payments amounted to \$56,489 in 2020.

The future lease payments under the capital leases on September 30, 2020, are as follows for both the Governmental and Business-Type Activities through fiscal year end September 30, 2023.

	Governmental Activities:		Business-Type Activities:	
	Principal	Interest	Principal	Interest
Fiscal Year Ended September 30,				
2021	\$ 53,405	\$ 4,589	\$ 59,204	\$ 9,734
2022	56,188	1,806	62,050	6,888
2023	4,813	20	81,270	3,906
	<u>\$ 114,406</u>	<u>\$ 6,415</u>	<u>\$ 202,524</u>	<u>\$ 20,528</u>

CITY OF OPA-LOCKA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

NOTE 9. LONG-TERM OBLIGATIONS

	Balance 9-30-2019	Additions	Reductions	Balance 9-30-2020	Current Portion Due in One Year, 2021
<u>Governmental Activities</u>					
Capital Improvement Revenue Bond					
Series 2011 A&B	\$ 4,234,000	\$ -	\$ (545,000)	\$ 3,689,000	\$ 564,000
Citi National Bank, Series 2015 A&B	7,672,072	-	(2,847,891)	4,824,181	301,234
Capital Lease Obligation	-	161,034	(46,628)	114,406	57,994
Total	11,906,072	161,034	(3,439,519)	8,627,587	923,228
Compensated Balances	1,779,211	213,192	(85,694)	1,906,709	190,671
Total OPEB Liability	331,170	-	(64,203)	266,967	-
FRS Pension Liability	8,941,473	2,535,184	-	11,476,657	-
Miami-Dade County Debt	207,334	-	(38,582)	168,752	-
Long Term Liability Legal	252,875	-	-	252,875	-
Total	11,512,063	2,748,376	(188,479)	14,071,960	190,671
Total Governmental Activities	\$ 23,418,135	\$ 2,909,410	\$ (3,627,998)	\$ 22,699,547	\$ 1,113,899
<u>Business-Type Activities</u>					
State Revolving Loan CS12080003P	351,072	-	(106,965)	244,107	99,513
State Revolving Loan WW800050	1,044,698	-	(123,728)	920,970	125,628
State Revolving Loan DW130330	71,823	-	(71,823)	-	-
State Revolving Loan SW130320	155,043	-	(7,984)	147,059	8,115
State Revolving Loan WW130300	433,375	-	(24,323)	409,052	24,229
State Revolving Loan WW130301	2,802,618	562,696	(333,090)	3,032,224	333,090
State Revolving Loan DW130331	41,991	16,614	(58,610)	-	-
Total State Revolving Loans	4,900,621	579,310	(726,523)	4,753,412	590,575
<u>Other Debt:</u>					
Capital Lease Obligation	-	259,013	(56,489)	202,524	59,204
Total Leases	-	259,013	(56,489)	202,524	59,204
Compensated Absences	100,228	31,993	-	132,221	13,222
Total OPEB Liability	45,937	-	(9,533)	36,404	-
Long-term debt - MDC	5,190,417	-	(925,977)	4,264,440	1,304,390
Long-term debt - MDC, Meters	1,600,000	772,917	-	2,372,917	-
Legal Settlement Liability	1,070,000	-	(70,000)	1,000,000	-
FRS Pension Liability	1,219,292	55,892	-	1,275,184	-
Total Other Long-term Debt	9,225,874	860,802	(1,005,510)	9,081,166	1,317,612
Total Business-Type Activities	\$ 14,126,495	\$ 1,699,125	\$ (1,788,522)	\$ 14,037,103	\$ 1,967,391

CITY OF OPA-LOCKA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

NOTE 9. LONG-TERM DEBT (cont'd)

Definition of Debt for Purposes of Disclosures

For purposes of disclosures in notes to financial statements, debt is defined as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. For disclosure purposes, debt does not include leases, except for contracts reported as a financed purchase of the underlying asset, or accounts payable. For governmental activities, compensated absences are generally liquidated by the General Fund. Long-term debt of the City's governmental activities, excluding compensated absences and capital leases, include Series 2011A&B Capital Improvement Revenue bonds, Series 2015 Capital Improvement Revenue Note, State Revolving Loans (SRL) and Debt to the Miami Dade County.

Long-Term Debt – Governmental Activities

Series 2011A&B Capital Improvement Revenue

The series 2011 A&B bear an annual interest rate ranging from approximately 3.31% to 3.89%. The series are payable from a pledge of Grantee Entitlement Revenues which must be shared by the State of Florida, in annual principal installments ranging from \$545,000 in 2020 to \$670,000 through 2026. The bond ordinance for Series 2011 A & B stipulates that the Bonds and the obligations evidenced within it shall not constitute a lien upon property of or in the City but shall constitute a lien only on the Pledged Funds.

With a balance of 3,7 million dollars, the Capital Improvement Revenue Bond Series 2011 A & B are secured by collateral of Pledged Guaranteed Entitlement Revenues, (State Revenue Sharing proceeds) and its Half Cent Sales Tax Revenues under the Bond Ordinance (collectively, the "Pledged Funds"), all in the manner and only to the extent provided in the Bond Ordinance. The City is not obligated to pay this Bond or interest thereon except from the Pledged Funds pledged thereto, and the full faith and credit of the City are not pledged for the payment of this Bond.

Series 2015 Capital Improvement Revenue Note ("2015 Note")

For an initial amount of \$8,6 million dollars, the 2015 Note bear interest at a rate of 2.65% to 4.25%, with a maturity date of June 1, 2025, and are payable by a lien on Pledged Revenues as defined by the terms of the Series 2015 Note agreement. The Series 2015 Capital Improvement Revenue Note has a balance of 4.82 million dollars as of FY2020.

As a result of the City's financial emergency declaration (Note 20), City National Bank restricted the use of excess pledged funds available after debt service payments were made. During FY2020, City National Bank's restrictions on excess pledged funds, through a modification of the agreement adopted on April 8, 2020, allowed the City to have access and redemption options for the available funds of approximately \$5,226,975. These funds were used to pay down a portion of the Series 2015A bond, legal fees and the remaining portion transferred to the general fund for operations after being released from restriction. As a result of the available funds being released from restriction, Series 2015 A Bond is expected to be paid off before maturity date of June 1st, 2025.

CITY OF OPA-LOCKA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

NOTE 9. LONG-TERM DEBT (cont'd)

The Capital Improvement Revenue Bond Series 2015 A & B are secured by the Tax Revenues Fund established under the 2015 Ordinance. The Finance Director shall ensure deposits of Communications Services Tax Revenues and Public Service Tax Revenues, (FPL Utility Taxes), as the same are collected, to the Tax Revenue Fund, in addition to all investment income in the funds and accounts established under the 2015 Ordinance.

Long-Term Liability-Legal

Government Activities for long-term liability-legal has a balance of \$252,875 as of FY2020. This amount represents claims against the City by various Plaintiffs, with most of the exposure (in case of default) to be paid by the City's insurance deductible of \$25,000.

Defaults and Remedies – Series 2011 and 2015 Bond Agreements

According to the City's loan Agreements for Series 2011 and 2015 Bonds an "Event of Default" shall be deemed to have occurred if (among other things): (a) the city fails to make any payment of the principal or interest of the series 2011 or 2015 Bonds when it is due and payable, or (b) the city fails to comply with the provisions of the agreement or failure in the performance or observance of any other covenants, conditions, agreements and provisions contained in the Series 2011 and 2015 or actions required by the agreement and such failure shall continue for a period of 60 days after written notice thereof to the local borrower (the city), by the Department of Environmental Protection ("Department"), (d) Any bankruptcy, insolvency or other similar proceeding instituted by, or against, the local borrower under federal or state bankruptcy or insolvency law now or hereafter in effect and, if instituted against the local borrower, is not dismissed within 60 days after filing, (d) the city fails to reimburse a Credit Bank following a drawing for the payment of interest on Obligations, (e) Any warranty, material representation or other statement by, or on behalf of, the local borrower contained in the agreement or in any document, certificate or information furnished in compliance with, or in reference to, the agreement, is false or misleading. Upon occurring of any of these events the Lender may proceed to protect and enforce its rights under the laws of the State of Florida and under the agreement.

Acceleration of Maturities – Series 2011 and 2015 Bond Agreements

The Series 2011 and 2015 also contain an Acceleration of Debt Maturities clause that allows the lender by a notice in writing to the City to accelerate payment of the entire principal amount to be immediately due and payable, and upon such declaration, the same shall be immediately due and payable. Moneys shall have accumulated in the Debt Service Fund sufficient to pay the principal of all matured Obligations and all arrears of interest upon all the Obligations then Outstanding as legally due, in addition to other related charges as documented by the Holder.

Long-Term Debt – Business Activities

The business-type activities debt consists mostly of State Revolving Loans (SRL) that were initiated to fund various capital improvement projects throughout the City, in addition to a local five-year loan agreement with Miami-Dade County ("the County") for the repayment of charges for water and sewer fees and department services.

CITY OF OPA-LOCKA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

NOTE 9. LONG-TERM DEBT (cont'd)

State Revolving Loan

The State Revolving Loan notes generally should be repaid in 40 semi-annual payments. These loans are secured by a collateral lien on Pledged Revenues as defined by the State Revolving Fund loan agreements.

The seven (7) State Revolving Loans had a balance of 4.75 million dollars as of FY2020. The following table details the different State Revolving Note Project:

State Revolving Note Project

Project No	Initial Amount (\$ million)	Interest Rate (%)	Amounts to be paid semi-annually (\$)	Balance September 30, 2020
CS12080003P	1.83	2.56 and 1.54	53,240	\$ 244,107
WW800050	2.38	1.53	71,143	920,970
WW130300	0.51	1.63	15,644	409,052
SW130320	0.20	1.63	6,011	147,059
DW130330	0.24	2.53	8,046	-
WW 130301	6.53	0	166,545	3,032,224
DW130331	2.75	1.21	79,075	-
Total				\$ 4,753,412

Events of Default – State Revolving Loan Agreements

According to the State Revolving Fund Loan Agreements, the following events are declared an “event of default”: (1) Failure to fund the Loan Repayment Reserve Account or to make any Monthly Loan Deposit or to make any installment of the Semiannual Loan Payment when it is due, (2) failure to comply with the provisions of the Agreement or failure in the performance or observance of any of the covenants or actions required by the Agreement and such failure shall continue for a period of sixty (60) days after written notice is given to the Local Government “the City” by the Florida Department of Environmental Protection (DEP). (3) Any warranty, representation, or other statement by, or on behalf of the City contained in the Agreement is false or misleading. (4) An order or decree entered appointing a receiver of any part of the Water or Sewer System or Revenues thereof; or if such order or decree, having been entered without the consent or acquiescence of the City, shall not be vacated, or discharged or stayed on appeal within sixty (60) days after the entry thereof. (5) Any bankruptcy, insolvency or other similar proceeding instituted by, or against, the City under federal or state bankruptcy or insolvency is not dismissed within 60 days after filing. (6) Failure of the City to give immediate written notice of default to the DEP and such failure shall continue for a period of thirty (30) days.

Remedies of Default – State Revolving Loan Agreements

Upon an event of default and subject to the rights of others having prior liens on the Pledged Revenues, the DEP may pursue any available remedy by notifying financial market credit rating agencies, applying to a court of competent jurisdiction action or suit in equity, writ of mandamus or other proceeding at law or in equity, cause to establish rates and collect fees and charges for use of

CITY OF OPA-LOCKA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

NOTE 9. LONG-TERM DEBT (cont'd)

the Water and Sewer Systems, to require the City to fulfill this Agreement, to require the City to account for all moneys received from the DEP or from the ownership of the Water and Sewer Systems and to account for the receipt, use, application, or disposition of the Pledged Revenues, to appoint a receiver to manage the Water and Sewer systems, to establish and collect fees and charges, and apply the Revenues to the reduction of the obligations under the Loan Agreement, and to require payment of amounts due, or becoming due, with interest on overdue payments together with all costs of collection, including attorneys' fees.

Acceleration Clause – State Revolving Loan Agreement

Per the State Revolving Loan Agreements, acceleration of amounts due upon default of the loan will occur by accelerating the repayment schedule or increasing the interest rate by as much as three percent per annum on the unpaid principal of the Loan for a default under Subsection 6.01(1).

Debt to the Miami Dade County

On August 4, 2017, the City entered into an agreement with Miami-Dade County (“the County”) for (1) sewer disposal service, (2) administering the meter reading, billing and collection of water, sanitary sewage, and stormwater utility charges, and (3) acknowledging delinquent charges. The City will repay at a rate of three percent (3%) annual interest rate, in monthly payments for sixty (60) months to re-pay past due debt owed as of March 15, 2017. As of September 30, 2020, the total debt outstanding was \$4,433,192, a portion which is related to governmental activities amounting to 168,752, this portion was for past due equipment cost for both the police, risk and information technology department from previous years. Debt service payments, which include principal and interest, are made monthly in the amount of \$100,090. For fiscal year ended September 30, 2020, debt service payments totaled \$1,101,000.

For fiscal year ended September 30, 2020, the County and the City exercised the option to have additional water meters replaced and installed to bring customer properties into compliance with the City's Code of Ordinances. As a result, there is an estimated \$2,372,917 liability for water meters purchased and installed on behalf of the City. The meters have been capitalized; see Note 7. No payments were due in fiscal years 2019-2022 as the City and the County have not finalized the terms.

Interlocal Agreement with Miami-Dade County

The debt due to County for water and sewer charges is secured by collateral of Pledged Revenues received from the County's direct collections of the City's water, sanitary sewage, and stormwater utility service charges. The Agreement with the County stipulates that the County shall handle the meter reading, billing and collection of water, sanitary sewage and stormwater charges for the City's utility customers and residents.

The City and the County acknowledge that the County is not assuming any obligation or being transferred any obligation under the Miami-Dade County Home Rule Charter, to provide water, sewer, or stormwater services within the Service Area of the City by entering into the Agreement, which is deemed solely an interlocal agreement by which the County will assist the City in billing and collecting for services as described in the Agreement.

CITY OF OPA-LOCKA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

NOTE 9. LONG-TERM DEBT (cont'd)

Acceleration Clause – Miami-Dade County

Section 25 of the City’s Agreement with the County stipulates that in the event the City chooses to terminate the Agreement before the end of the ten (10) year term it will pay the County, in one lump sum/balloon payment, all outstanding amounts due to the County, including but not limited to, charges for water service, sanitary sewer service, stormwater fees, billing costs (and related expenses), utility permit fees, solid waste charges, and transit-related charges. Within thirty (30) days of receipt of the termination notice from the City, the County will provide the City with documentation that identifies all outstanding amounts owed by the City to the County. All amounts owed by the City to the County must be paid in full by the end of the first ten (10) year term, regardless of the Parties’ desire to exercise the first five-year option to renew.

Governmental Activities Direct Borrowings

Annual debt service requirements to maturity for debt outstanding are as follows:

Year Ending September 30	Governmental Activities				Business-Type Activities	
	Bonds		Notes from Direct Borrowings and Direct Placements		Notes from Direct Borrowings	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 781,579	\$ 380,271	\$ 97,047	\$ 8,994	\$ 1,876,627	\$ 189,753
2022	808,677	352,580	101,157	4,880	1,919,854	146,526
2023	837,092	323,895	51,150	1,726	1,882,312	97,031
2024	914,584	294,461	33,804	357	1,321,483	27,814
2025	946,125	260,696	-	-	2,937,818	15,707
2026-2030	2,348,373	950,700	-	-	2,250,476	35,355
2031-2035	2,009,451	606,614	-	-	1,862,004	12,280
2036-2040	2,278,282	206,974	-	-	873,989	505
	<u>\$ 10,924,163</u>	<u>\$ 3,376,191</u>	<u>\$ 283,158</u>	<u>\$ 15,958</u>	<u>\$ 14,924,563</u>	<u>\$ 524,971</u>

The City’s outstanding liabilities from direct borrowings related to governmental activities were \$283,158 as of September 30, 2020 and no direct placements were incurred as of this report date. The City had no lines of credit as of September 30, 2020.

CITY OF OPA-LOCKA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

NOTE 9. LONG-TERM DEBT (cont'd)

Business Activities Direct Borrowings

The City's outstanding liabilities from direct borrowings related to business-type activities were \$14.92 million dollars as of September 30, 2020, and no direct placements were incurred as of this report date.

The business-type activities debt consists of five remaining State Revolving Loans (SRL) that were initiated to fund various capital improvement projects throughout the City, in addition to a local five-year loan agreement with Miami-Dade County ("the County") for the repayment of charges for water and sewer fees and department services. The State Revolving Loan notes are secured by a collateral lien on Pledged Revenues as defined by the State Revolving Fund loan agreements.

Summary of Debt Covenants

Series 2011A and Series 2011B Capital Improvement Revenue Bonds – Debt service is provided by a pledge of guaranteed state revenue sharing funds, local option gas tax revenues, and the half-cent sales tax. Reserves must be maintained equal to the maximum bond service requirement. On September 30, 2020, the City had on deposit with the trustee for these bonds, a reserve account insurance policy which unconditionally and irrevocably guarantees the full and complete payment required to be made by or on the behalf of the City.

On June 3, 2014 – as authorized by City Ordinance No. 13-40 – the City entered into an agreement with City National Bank of Florida for the issuance of the Series 2014 Capital Improvement Revenue Note for the purpose of acquiring, construction, installation and equipping an administration building. Debt service is provided by a pledge of guaranteed state communications services tax revenues, public service tax revenues and all investment income except for Rebate fund. In May 2015, this was rolled up into the existing Series 2015 Note.

Pledged Revenues – the City's agreement under the State of Florida Revolving Loan Fund Program requires the City to generate Pledged Revenues, as defined by the agreement, from the services furnished by its water and sewer systems equal to or exceeding 1.15 times the sum of the semiannual loan payments. As of September 30, 2020, the City follows this requirement.

The amount of long-term debt that can be incurred by the City is limited by the charter of the City. Total general obligation bonds of the City, outstanding in any one fiscal year can be no greater than 15% of the assessed value of taxable property as of the beginning of the fiscal year. As of September 30, 2020, the amount of bonds outstanding and notes payable exclusively from the revenues of a municipal project was less than 5% of property assessments as of September 30, 2020.

Bonds payable exclusively from the revenue of a municipal project may be issued and outstanding without regard to the 15% limitation; however, such an issue would be subject to the limitations imposed by the City's charter with respect to restrictions on bonds parity with or junior to the Series 2011A and Series 2011B Capital Improvement Revenue Bonds.

CITY OF OPA-LOCKA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

NOTE 10. RETIREMENT PLANS

All City's employees participate in the Florida Retirement System (FRS). As provided by Chapters 121 and 112, Florida Statutes, the FRS provides two cost-sharing, multiple-employer defined benefit plans administered by the Florida Department of Management Services, Division of Retirement, including the Pension Plan and the Retiree Health Insurance Subsidy (HIS Plan). Under Section 121.4501, Florida Statutes, the FRS also provides a defined contribution plan (Investment Plan) alternative to the Pension Plan, which is administered by the State Board of Administration (SBA). As a general rule, membership in the FRS is compulsory for all employees working in a regularly established position for a Florida state agency, county government, district school board, state university, community college, or a participating city or special district. The FRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Florida Legislature established and may amend the contribution requirements and benefit terms of all FRS plans.

The plan administrator for FRS prepares and publishes its own stand-alone annual comprehensive financial report, including financial statements and required supplementary information. Copies of this report can be obtained from the Department of Management Services, Division of Retirement, Bureau of Research and Member Communications, P.O. Box 9000, Tallahassee, Florida 32315- 9000; or at the Division's website (www.frs.myflorida.com).

A. Pension Plan – Florida Retirement System (FRS)

Plan Description – The Pension Plan is a cost-sharing multiple-employer defined benefit pension plan, with a Deferred Retirement Option Program (DROP) for eligible employees. The general classes of membership for the City are as follows:

- Regular Class – Members of the FRS who do not qualify for membership in the other classes.
- Senior Management Service Class (SMSC) – Members in senior management level positions
- Special Risk Class – Members who are employed as law enforcement officers

Employees enrolled in the Pension Plan prior to July 1, 2011, vest after six years of creditable service, and employees enrolled in the Pension Plan on or after July 1, 2011, vest after eight years of creditable service. Regular Class and SMSC members initially enrolled in the Pension Plan before July 1, 2011, once vested, are eligible for normal retirement benefits at age 62 or at any age after 30 years of creditable service. Members in these classes initially enrolled in the Pension Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service. Early retirement may be taken any time after vesting within 20 years of normal retirement age; however, a 5.0% benefit reduction is imposed for each year prior to the normal retirement age.

DROP is available under the Pension Plan when the member first reaches eligibility for normal retirement. The DROP allows a member to retire while continuing employment for up to 60 months. While in the DROP, the member's retirement benefits accumulate in the FRS Trust Fund increased by a cost-of-living adjustment each July and earn monthly interest equivalent to an annual rate of 1.30%. DROP participants with an effective DROP commencement date before July 1, 2011, earn monthly interest equivalent to an annual rate of 6.50%.

Benefits Provided – Benefits under the Pension Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the five highest fiscal years' earnings; for members initially

CITY OF OPA-LOCKA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

NOTE 10. RETIREMENT PLANS (cont'd)

enrolled on or after July 1, 2011, the average final compensation is the average of the eight highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement plan and/or class to which the member belonged when the service credit was earned. The following chart shows the percentage value for each year of service credit earned.

A. Pension Plan – Florida Retirement System (FRS) (cont'd)

<u>Class, Initial Enrollment, and Retirement Age/Years of Service</u>	<u>% Value (Per Year of Service)</u>
Regular Class Members Initially Enrolled Before July 1, 2011	
Retirement up to age 62 or up to 30 years of service	1.60%
Retirement at age 63 or with 31 years of service	1.63%
Retirement at age 64 or with 32 years of service	1.65%
Retirement at age 65 or with 33 or more years of service	1.68%
Regular Class Members Initially Enrolled on or After July 1, 2011	
Retirement up to age 65 or up to 33 years of service	1.60%
Retirement at age 66 or with 34 years of service	1.63%
Retirement at age 67 or with 35 years of service	1.65%
Retirement at age 68 or with 36 or more years of service	1.68%
Special Risk Class	
Service from Dec. 1, 1970, through Sept. 30, 1974	2.00%
Service on and after Oct. 1, 1974	3.00%
Senior Management Service Class	2.00%

The benefits received by retirees and beneficiaries are increased by a COLA each July based on their June benefit amount. For retirees who have been retired for less than 12 months on July 1, the first COLA increase is prorated. The COLA applies to all continuing monthly retirement benefits paid under the FRS Pension Plan (i.e., normal and early service retirement benefits and benefits accruing in participant accounts under the DROP, disability retirement benefits, and survivor benefits). The COLA for retirements or DROP participation effective before August 1, 2011, is 3 percent per year. The COLA formula for retirees with an effective retirement date or DROP begin date on or after August 1, 2011, will be the sum of the pre-July 2011 service credit divided by the total service credit at retirement multiplied by 3 percent. Each Pension Plan member with an effective retirement date of August 1, 2011, or after will have an individual COLA factor for retirement. FRS Pension Plan members initially enrolled on or after July 1, 2011, will not have a COLA after retirement.

Contributions – Effective July 1, 2011, all enrolled members of the Pension Plan, other than DROP participants, are required to contribute 3.0% of their salary to the Pension Plan. In addition to member contributions, governmental employers are required to make contributions to the Pension Plan based on state-wide contribution rates established by the Florida Legislature. These rates are updated as of July 1 of each year. The employer contribution rates by job class for the fiscal year 2019-2020 are as follows:

CITY OF OPA-LOCKA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

NOTE 10. RETIREMENT PLANS (cont'd)

A. Pension Plan – Florida Retirement System (FRS) (cont'd)

<u>Class</u>	<u>Employee Contribution Rate</u>	<u>Employer Contribution Rate*</u>	<u>Total Contribution Rate</u>
Regular	3.00%	6.75%	9.75%
Senior Management	3.00%	23.69%	26.69%
Special Risk	3.00%	23.76%	26.76%
DROP	N/A	12.94%	12.94%
EOC - County	3.00%	47.10%	50.10%

**These rates include the normal cost and unfunded actuarial liability contributions but do not include the 1.66 percent contribution for the Retiree Health Insurance Subsidy and the fee of 0.06 percent for administration of the FRS Investment Plan and provision of educational tools for both plans.*

For the fiscal year ending September 30, 2020, contributions, including employee contributions, to the Pension Plan for the City totaled \$1,012,564.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – On September 30, 2020, the City reported a liability of \$10,282,978 for its proportionate share of the Pension Plan’s net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2020. The City’s proportionate share of the net pension liability was based on its share of the City’s 2019-2020 fiscal year contributions relative to the 2018-2019 fiscal year contributions of all participating members.

The FRS Actuarial Assumption Conference is responsible for setting the assumptions used in the valuations of the defined benefit pension plans pursuant to Section 215.136(10) Florida Statutes. The 6.80 percent return assumption used in the June 30, 2020, calculations were determined by Plan’s consulting actuary to be reasonable and appropriate per Actuarial Standards of Practice.

The 6.80 percent reported investment return assumption differs from the 7.00 percent investment return assumption chosen by the 2020 FRS Actuarial Assumption Conference for funding policy purposes, as allowable under governmental accounting and reporting standards.

For the fiscal year ended September 30, 2020, the City recognized pension expense of \$1,958,867. In addition, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

CITY OF OPA-LOCKA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

NOTE 10. RETIREMENT PLANS (cont'd)

A. Pension Plan – Florida Retirement System (FRS) (cont'd)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 393,551	\$ -
Change of assumptions	1,861,546	-
Net difference between projected and actual earnings on Pension Plan investments	612,258	-
Changes in proportion and differences between Pension Plan contributions and proportionate share of contributions	234,953	(1,028,219)
Pension Plan contributions subsequent to the measurement date	224,271	-
Total	\$ 3,326,579	\$ (1,028,219)

The deferred outflows of resources related to the Pension Plan, totaling \$224,271 for the City, resulting from contributions to the Plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Pension Plan will be recognized in pension expense as follows:

For the Year Ended September 30,	Deferred Outflows/ (Inflows) Net
2021	\$ (427,420)
2022	(665,681)
2023	(565,826)
2024	(338,253)
2025	(76,909)
Thereafter	-
Total	\$ (2,074,089)

Actuarial Assumptions – The total pension liability in the June 30, 2020, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.40%
Salary Increases	3.25% average, including inflation
Investment Rate of Return	7.0%, net of pension plan investment expense, including inflation

Mortality rates were based on the Generational RP-2000 with Projection Scale BB tables. The actuarial assumptions used in the July 1, 2020, and valuations were based on the results of an actuarial experience study for the period July 1, 2013, through June 30, 2018.

The long-term expected rate of return assumption of 6.80 percent consists of two building block components: 1) a real (in excess of inflation) return of 4.30 percent, consistent with the capital market outlook model developed during 2020 by the outside investment consultant to the Florida State Board of Administration; and 2) a long-term average annual inflation assumption of 2.40 percent as adopted in October 2020 by the FRS Actuarial Assumption Conference. In the opinion of the FRS consulting

CITY OF OPA-LOCKA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

NOTE 10. RETIREMENT PLANS (cont'd)

A. Pension Plan – Florida Retirement System (FRS) (cont'd)

actuary, Milliman, both components and the overall 6.80 percent return assumption were determined to be reasonable and appropriate per Actuarial Standards of Practice. The 6.80 percent reported investment return assumption differs from the 7.00 percent investment return assumption chosen by the 2020 FRS Actuarial Assumption Conference for funding policy purposes, as allowable under governmental accounting and reporting standards. For reference, the table below contains a summary of Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the long-term target asset allocation. Each asset class assumption is based on a consistent set of underlying assumptions and includes an adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

<u>Asset Class</u>	<u>Target Allocation*</u>	<u>Annual Arithmetic Return</u>	<u>Compound Annual (Geometric) Return</u>	<u>Standard Deviation</u>
Cash	1.00%	2.2%	2.2%	1.2%
Fixed Income	19.00%	3.0%	2.9%	3.5%
Global Equity	54.2%	8.0%	6.7%	17.1%
Real Estate (Property)	10.3%	6.4%	5.8%	11.7%
Private Equity	11.1%	10.8%	8.1%	25.7%
Strategic Investments	4.4%	5.5%	5.3%	6.9%
Total	<u>100.00%</u>			
Assumed Inflation – Mean		2.4%		1.7%

*As outlined in the FRS Pension Plan's investment policy available from Funds We Manage on the SBA's website at www.sbafla.com.

Discount Rate – The discount rate used to measure the total pension liability was 6.8%. The Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculation of the total pension liability is equal to the long-term expected rate of return.

Sensitivity of the Proportionate Share of the Net Position Liability to Changes in the Discount Rate – The following represents the City's proportionate share of the net pension liability calculated using the discount rate of 6.8%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.8%) or one percentage point higher (7.8%) than the current rate:

	1% Decrease <u>5.8%</u>	Current Discount Rate <u>6.8%</u>	1% Increase <u>7.8%</u>
City's proportionate share of the net pension liability	\$16,420,188	\$10,282,978	\$5,157,154

CITY OF OPA-LOCKA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

NOTE 10. RETIREMENT PLANS (cont'd)

A. Pension Plan – Florida Retirement System (FRS) (cont'd)

Pension Plan Fiduciary Net Position – Detailed information regarding the Pension Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report.

Payables to the Pension Plan – On September 30, 2020, the City had no outstanding payables of to the Pension Plan for contributions to the Pension Plan required for the fiscal year ended September 30, 2020.

B. Retiree Health Insurance Subsidy Program (HIS)

Plan Description – The HIS Plan is a non-qualified cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, Florida Statutes, and it may be amended by the Florida Legislature at any time. The benefit is a monthly payment to assist eligible retirees and surviving beneficiaries of state administered retirement systems in paying health insurance costs and is administered by the Florida Department of Management Services, Division of Retirement.

Benefits Provided – For the fiscal year ended September 30, 2020, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month. To be eligible to receive these benefits, a retiree under a state administered retirement system must provide proof of health insurance coverage, which may include Medicare.

Contributions – The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended September 30, 2020, the HIS contribution rate for the period October 1, 2016, through September 30, 2020, was 1.66% of payroll pursuant to section 112.363, Florida Statutes. The City contributed 100% of its statutorily required contributions for the current and preceding three years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or cancelled.

For the fiscal year ended September 30, 2020, contributions to the HIS Plan for the City totaled \$148,301.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – On September 30, 2020, the City reported a liability of \$2,468,863 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2020. The City's proportionate share of the net pension liability was based its share of the City's 2019-2020 fiscal year contributions relative to the 2018-2019 fiscal year contributions of all participating members.

CITY OF OPA-LOCKA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

NOTE 10. RETIREMENT PLANS (cont'd)

B. Retiree Health Insurance Subsidy Program (HIS) (cont'd)

For the fiscal year ended September 30, 2020, the City recognized pension expense of \$111,012. In addition, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 100,991	\$ (1,905)
Change of assumptions	265,473	(143,555)
Net difference between projected and actual earnings on Pension Plan investments	1,971	-
Changes in proportion and differences between Pension Plan contributions and proportionate share of contributions	201,716	(575,466)
Pension Plan contributions subsequent to the measurement date	31,781	-
	\$ 601,932	\$ (720,926)
Total		

The deferred outflows of resources related to the HIS Plan, totaling \$31,781 for the City, resulting from contributions to the HIS Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIS Plan will be recognized in pension expense as follows:

<u>For the Year Ending September 30,</u>	<u>Deferred Outflows/(Inflows) Net</u>
2021	\$ (38,007)
2022	(29,161)
2023	(10,692)
2024	(19,873)
2025	(25,705)
Thereafter	(27,336)
Total	\$ (150,774)

Actuarial Assumptions – Actuarial valuations for the HIS plan are conducted biennially. The July 1, 2017, HIS valuation is the most recent actuarial valuation and was used to develop the liabilities for June 30, 2020.

Liabilities originally calculated as of the actuarial valuation date have been recalculated as of a later GASB Measurement Date using standard actuarial roll forward procedures.

CITY OF OPA-LOCKA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

NOTE 10. RETIREMENT PLANS (cont'd)

B. Retiree Health Insurance Subsidy Program (HIS) (cont'd)

The total pension liability as of June 30, 2020 was determined using the following actuarial assumptions:

Inflation	2.40%
Salary Increases	3.25% average, including inflation
Investment Rate of Return	7.00%

Mortality rates were based on the Generational RP-2000 with Projection Scale BB tables.

The actuarial assumptions that determine the total pension liability as of June 30, 2020, were based on the results of an actuarial experience study of the FRS for the period July 1, 2013 through June 30, 2018.

Discount Rate – The discount rate used to measure the total pension liability on June 30, 2020, was 2.21%. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the FRS Actuarial Assumption Conference. The discount rates used at the two dates differ due to changes in the applicable municipal bond index. The discount rate used in the 2020 valuation was updated from 3.50% to 2.21% reflecting the change in the Bond Buyer general obligation 20-bond municipal bond index as of June 30, 2020.

Sensitivity of the Proportionate Share of the Net Position Liability to Changes in the Discount Rate – The following represents the City’s proportionate share of the net pension liability calculated using the discount rate of 2.21%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (1.21%) or one percentage point higher (3.21%) than the current rate:

	1% Decrease <u>1.21%</u>	Current Discount Rate <u>2.21%</u>	1% Increase <u>3.21%</u>
City's proportionate share of the net pension liability	\$2,853,895	\$2,468,862	\$2,153,715

Pension Plan Fiduciary Net Position – Detailed information regarding the HIS Plan’s fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report.

CITY OF OPA-LOCKA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

NOTE 10. RETIREMENT PLANS (cont'd)

B. Retiree Health Insurance Subsidy Program (HIS) (cont'd)

	Florida Retirement System	Health Insurance Subsidy	Aggregate Total
Liabilities	\$ 10,282,978	\$ 2,468,862	\$ 12,751,840
Pension Expense	1,958,867	111,012	2,069,879
Deferred Outflows of Resources	3,326,579	601,932	3,928,512
Deferred Inflows of Resources	(1,028,219)	(720,926)	(1,749,144)

C. Investment Plan

The State Board of Administration (SBA) administers the defined contribution plan officially titled the FRS Investment Plan. The Investment Plan is reported in the SBA's annual financial statements and in the State of Florida Annual Comprehensive Financial Report.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the defined benefit pension plan. City employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class, as the Pension Plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.04 percent of payroll and by forfeited benefits of plan members.

Allocations to the investment member's accounts during the 2019-20 fiscal year, as established by Section 121.72, Florida Statutes, are based on a percentage of gross compensation, by class, as follows:

Membership Class	Percentage of Gross Compensation
FRS Regular	6.30%
FRS Senior Manager Service	7.67%
FRS Special Risk	14.00%
FRS Elected Officers' Class (County)	11.34%

CITY OF OPA-LOCKA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

NOTE 10. RETIREMENT PLANS (cont'd)

C. Investment Plan (cont'd)

For all membership classes, employees are immediately vested in their own contributions and are vested after one year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the Pension Plan is transferred to the Investment Plan, the member must have the years of service required for Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Non-vested employer contributions are placed in a suspense account for up to five years. If the employee returns to FRS-covered employment within the five-year period, the employee will regain control over the account. If the employee does not return within the five-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended September 30, 2020, the information for the number of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the City.

After termination and applying to receive benefits, the member may rollover vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump-sum distribution, leave the funds invested for future distribution, or elect any combination of these options. Disability coverage is provided; the member may either transfer the account balance to the Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the Pension Plan, or the member may remain in the Investment Plan and rely upon that account balance for retirement income.

The Investment Plan pension expense for the City totaled \$92,173 for the fiscal year ended September 30, 2020. On September 30, 2020, the City has no outstanding contributions to the Investment Plan required for the fiscal year ended September 30, 2020.

NOTE 11. RELATIONSHIP WITH THE COUNTY

In November 6, 1956, the Florida Legislature adopted the Miami-Dade County Home Rule for a general election to amend the Florida State Constitution designed to provide a centralized form of government to the County of Miami-Dade (the "County"). The County is, in effect, a municipality with governmental powers effective with 34 cities, towns and villages in the County, including the City, and the unincorporated areas. The County does not displace or replace cities but can supplement them. The County can take over particular services of the City's operations if (1) the services fall below minimum standards set by the County Commission or (2) with the consent of the governing body of the City.

Since the inception of the City, the County has assumed responsibility for a number of functions, including county-wide police services, complementing county-wide fire protection; consolidated two-tier court systems; creation of the various surface transportation programs; installation of a central traffic control computer system; merging public transportation systems into a county system; and centralization of the property appraiser and tax collector functions.

CITY OF OPA-LOCKA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

NOTE 11. RELATIONSHIP WITH THE COUNTY (cont'd)

In addition to county-wide services provided by Miami-Dade County in the City, the City has a Memorandums of Understanding (MOU), with the County to provide waste collection services and water utility billing services. The MOU dated February 17, 2017, for waste collection and waste hauler services was agreed after the City's vendor provided notification that they would no longer provide those services.

The MOU for transitioning water utility billing services, collection services and meter replacements city-wide to Miami-Dade County Water & Sewer Department was agreed to on August 4, 2017. Since the agreement Miami-Dade County began the utility billing of the City's customers along with the installation, replacement and repair of almost 6,000 water meters which currently represents an estimated cost ranging from approximately \$1.5 million to \$2.2 million to the County per the agreement, however as of September 30, 2020, approximately \$2.2 million is recognized as capitalized meter replacements with the corresponding liability associated with the cost of the meters.

A majority of the utility customer accounts have successfully transitioned to Miami-Dade County with the customers receiving the Miami-Dade County bills and now having the ability to visit the Miami-Dade County Customer Services Center located in the City Hall at 780 Fisherman Street in Opa-locka.

NOTE 12. COMMITMENTS AND CONTINGENCIES

Water Supply and Sewer Services Contract

In February 1985, the City entered into an agreement with Miami-Dade Water and Sewer Department (WASD) for the purpose of providing to the City all of its potable water supply and sewer services for a period of thirty (30) years subject to termination at any time by operation of law or by mutual consent of the City and WASD. For the fiscal year ended September 30, 2020 and 2019, the City purchased water and sewer services totaling \$3,888,769 and \$3,832,428 respectively, from the WASD under the terms of this agreement.

Various other claims and lawsuits, which arose in the normal course of operations, are pending against the City and are summarized below:

Threatened Litigation, Claims and Assessments

The City is involved in litigation and additional claims have been asserted against the City which are being handled by the City Attorney's office, in addition to third party attorneys. A number of cases remain outstanding. In some cases, the City anticipates that its insurance carrier will cover the damages. In the opinion of management and based on the advice of the City's Attorney, the outcome of some of these actions is not yet known. However, provision for liability has been accrued on the statements of financial position and results of operations of the City for those cases where an unfavorable outcome is known.

Additionally, a loss from the City's current litigation, in the case between Universal Waste Services of Florida, Inc. v City of Opa-locka, is believed to not be probable.

Contingencies

The City participates in a number of Federal and State grant programs in accordance with the provisions of the Uniform Guidance and the State of Florida Single Audit Act.

CITY OF OPA-LOCKA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

NOTE 12. COMMITMENTS AND CONTINGENCIES (cont'd)

Pursuant to those provisions, financial assistance programs were tested for compliance with applicable grant requirements. These programs may be subjected to financial and compliance audits by the grantors or their representatives. The possible disallowance of any item charged to the program or request for the return of already collected funds may be requested by the grantor agency. In the opinion of management, future disallowances, if any, of grant program expenditures would not have a material adverse effect on the financial condition of the City.

Grant Contingency

The City receives financial assistance from federal, state and local governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and may be subject to audit by the grantor agencies. In accordance with *Title 2 U.S. Code of Federal Regulations, Part 200, Uniformed Administrative Requirements, Cost Principles, and Audit Requirement for Federal Awards (Uniform Guidance)* and the Florida Single Audit Act, the City is required to conduct "single audits" when the required thresholds of \$750,000 in grant expenditures from either source is exceeded. For the fiscal year ended September 30, 2020, a Federal single audit in accordance with the Uniform Guidance was required, however a state single audit in accordance with the Florida Single Audit Act was not.

NOTE 13. OTHER POST-EMPLOYMENT BENEFITS

Pursuant to Section 112.081, Florida Statutes, the City is required to permit eligible retirees and their eligible dependents to participate in the City's health insurance program at a cost to the retiree that is no greater than the cost at which the coverage is available for active employees. The City does not provide retirees with any subsidy for this benefit, however because the insurance carrier charges the same monthly rate for health insurance regardless of age, an implied monthly subsidy of \$225 for each of the retiree and his spouse has been assumed at age 60 for the 2019/20 fiscal year; at other ages, the implied subsidy was developed based on the age-related morbidity assumption and, for other fiscal years, the implied subsidy was increased in accordance with the healthcare cost trend rates. The healthcare cost trend rates: costs are assumed to be 7.50% for the 2019/20 fiscal year graded down by 0.50% per year to 5.00% for the 2024/25 and late fiscal years.

The City has a single-employer defined benefit health care plan where all of its employees can participate except part-time employees and full-time employees who either resign or are terminated. They City is authorized to establish and amend benefit levels, subject to minimum requirements set forth by Florida Statutes, and to approve the actuarial assumptions used in the determination of contribution levels. The plan does not issue a separate financial report.

Benefits Provided

The OPEB Plan provides healthcare insurance benefits for retirees and their dependents.

Funding Policy

The City's funding policy is to pay post-retirement medical benefits from general funds. A trust has not been established to pre-fund these benefits.

CITY OF OPA-LOCKA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

NOTE 13. OTHER POST-EMPLOYMENT BENEFITS (cont'd)

Plan Membership

On October 1, 2019, the date of the latest actuarial valuation, plan participation consisted of the following:

Active plan members	93
Inactive plan members	<u>3</u>
	<u>96</u>

Total OPEB Liability

The City's total OPEB liability of \$303,371 was measured as of September 30, 2020 and was determined by an actuarial valuation as of October 1, 2019.

Actuarial Assumptions and Other Inputs

Valuation Date:	October 1, 2019
Measurement Date:	September 30, 2020
Roll-forward Disclosure	The Total OPEB Liability was rolled forward from the valuation date to the measurement date using standard actuarial techniques.

Methods and Assumptions Used to Determine Total OPEB Liability:

Actuarial Cost Method	Entry Age Normal
Discount Rate	2.14%
Salary Increases	3% per annum
Retirement Age	Retirement is assumed to occur at the earlier of any age with 25 years of service or age 55 with six years of service; with respect to public safety employees hired after June 30, 2011, retirement is assumed to occur at the earlier of any age with 30 years of service or age 60 with eight years of service; with respect to general employees hired prior to July 1, 2011, retirement is assumed to occur at the earlier of any age with 30 years of service or at age 62 with six years of service; with respect to general employees hired after June 30, 2011, retirement is assumed to occur at the earlier of any age with 33 years of service or at age 65 with eight years of service.
Mortality	Sex-distinct rates set forth in the PUB-2010 Mortality Table (without income adjustments) for general and public safety employees, with full generational improvements in mortality using Scale MP-2020
Retirees Share of Benefit Related Costs	Retirees must contribute an amount determined periodically by the insurance carrier equal to 100% of the applicable health insurance premium; there are no minimum required employer contributions.

The Plan is unfunded as such no projection of Fiduciary Net Position is required. Demographic assumptions mirror those used for the Florida Retirement System pension plans. The discount rate used to determine the liabilities under GASB 75 is based on the return on the S&P Municipal Bond 20-year High Grade Index as of the measurement date. The discount rate is 2.14% per annum.

CITY OF OPA-LOCKA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

NOTE 13. OTHER POST-EMPLOYMENT BENEFITS (cont'd)

Actuarial Assumptions and Other Inputs (cont'd)

Changes in the total OPEB liability for the fiscal year ended September 30, 2020, were as follow:

Balance at September 30, 2019		\$ 377,107
<i>Changes for the year</i>		
Service cost	24,367	
Expected interest growth	8,521	
Changes in assumptions	9,388	
Differences between expected and actual experience	<u>(109,357)</u>	
Total actual changes		<u>(67,081)</u>
Less estimated employer contributions/benefits payments		<u>(6,655)</u>
Total Ending OPEB Liability - September 30, 2020		<u><u>\$ 303,371</u></u>

Sensitivity of the total OPEB liability to changes in the discount rate:

Regarding the sensitivity of the total OPEB liability to changes in the discount rate, the following presents the plan's total OPEB liability, calculated using a discount rate of 3.58%, as well as what the plan's total OPEB liability would be if it were calculated using a discount rate that is one percent lower or one percent higher:

	1% Decrease 1.14%	Discount Rate 2.14%	1% Increase 3.14%
Total OPEB Liability	\$ 337,126	\$ 303,371	\$ 273,679

Sensitivity of the total OPEB liability to the healthcare cost trend rate:

The following table illustrates the impact of healthcare cost trend sensitivity on the Total OPEB Liability for fiscal year ended September 30, 2020.

	1% Decrease 4.00%	Medical Trend 7.50% graded down to 5.00%	1% Increase 6.00%
Total OPEB Liability	\$ 263,270	\$ 303,371	\$ 351,530

For the year ended September 30, 2020, the city recognized OPEB expense of \$12,928. On September 30, 2020, the City reported deferred outflows and inflows of resources related to OPEB as follows:

Deferred Outflows of Resources	Deferred Inflows of Resources
\$10,169	\$98,187

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ended Sept. 30, 2020	
2021	(\$11,401)
2022	(\$11,401)
2023	(\$11,401)
2024	(\$11,401)
2025	(\$11,401)
Thereafter	<u>(\$31,013)</u>
	<u>(\$88,018)</u>

CITY OF OPA-LOCKA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

NOTE 14. DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan (the “Plan”), which is administered by two administrators. The portion of the plan administered by the International City Management Association Retirement Corporation (“ICMA”) was created in accordance with Internal Revenue Code Section 457 (a qualified plan). The other portion constitutes a nonqualified plan benefit and is administered by the Life Insurance Company of Southwest. The Plan, available to all City employees, permits them to defer a portion of their salary until future years. Participation in this plan is optional. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The City is not required to contribute to this plan.

All assets and income of the Plan are held in trust for the exclusive benefits of the participants. The City makes no investment decisions and has no fiduciary responsibilities regarding the Plan; therefore, the assets and liabilities of the Plan are not included in the City’s financial statements as September 30, 2020. The City is not required to make employer contributions.

NOTE 15. RISK MANAGEMENT

The government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the City carries commercial insurance. The City has not had a significant reduction in insurance coverage from coverage in the prior year by major categories of risk and settled claims have not exceeded the City’s retention and excess coverage in force for each of the past three years.

NOTE 16. RESTATEMENT – PRIOR PERIOD ADJUSTMENTS

The September 30, 2020, beginning net position of the Government Activities and Business-Type Activities were restated as a result of the prior period correction of errors. The City’s net position decreased by (\$2,628,854) over the prior fiscal year ended September 30, 2019. This is because the prior period adjustments had a greater number of debits to the net position than the credits that were made to record the corrections.

Restatement of net position on September 30, 2019, due to prior period corrections of an error.

	Restatement of Net Position		
	Governmental Activities	Business-Type Activities	Total
Net position September 30, 2019, previously stated and reported	\$17,766,272	\$ 14,124,463	\$ 31,890,735
Prior period adjustment:			
Net effect of Correction of errors, effect of adjustment to revenue, expenditure and other	<u>738,811</u>	<u>(3,367,665)</u>	<u>(2,628,854)</u>
Net Position, September 30, 2019, Restated	<u>\$ 18,505,083</u>	<u>\$ 10,756,798</u>	<u>\$ 29,261,881</u>

Governmental Activities – The City’s net position of Government Activities as of September 30, 2020, has been restated for prior period adjustments. The net position increased by \$738,811 resulting from net adjustments associated with the correction of errors related to prior periods.

CITY OF OPA-LOCKA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

NOTE 16. RESTATEMENT – PRIOR PERIOD ADJUSTMENTS (cont’d)

- Prior period corrections in the general fund in the amount of \$671,826, were related to a combination of unclaimed property adjustments from prior years totaling \$9,868, adjustments from the reconciliation of the special law enforcement fund over multiple years that was misclassified, totaling \$444,412, adjustment of due to/from with the people’s transportation fund totaling \$72,006, and accounts payable liabilities and miscellaneous items.
- The City corrected errors in reporting of the Special Law Enforcement fund balance between the books and records and transactions from prior year that were misclassified totaling \$435,451. These transactions were related to some of the following: revenues and expenditures related to misclassified auction revenues between the general fund and special law enforcement and other miscellaneous expenditures that have been corrected.
- An adjustment of \$58,985 related to accounts payable and liabilities related to prior years that have been corrected for the community redevelopment agency fund.
- The safe neighbor’s capital projects fund was adjusted to account for interest income earnings, revenue adjustments \$54,660, and accounts payable and liabilities adjustment from the prior year.
- Capital improvement and debt service adjustments to correct prior year balances totaling \$316,785 related to accounts receivable and revenue cut-off adjustments.
- People’s transportation fund adjustment totaling \$72,006 between the general fund for misclassified transactions from prior years between funds.

Net effect of corrections to Governmental Activities as follows:

	<u>Governmental Activities</u>
General fund	\$ 671,826
Special law enforcement	(435,451)
Community redevelopment agency	58,985
Safe neighborhood capital projects	54,660
Capital improvement debt service fund	316,785
People's transportation tax	72,006
	\$ 738,811

Business-Type Activities – The City’s net position of Business-Type Activities as of September 30, 2020, has been restated for prior period adjustments. The net position decreased by \$3,367,664 resulting from net adjustments to water and sewer utility billings, accounts payable liabilities, due to/from other funds, and other miscellaneous errors related to prior year.

- The prior period adjustments related to the water and sewer fund totaled \$3,217,259; this was related to the following: water and sewer billing adjustments, expense reclassifications, accounts payable liabilities and other miscellaneous items related to rounding difference.
- Solid waste incurred a change associated with a reclassification of transactions from the special law enforcement fund for equitable sharing to the solid waste fund from prior years totaling \$150 recorded through due to/from other funds activity.

CITY OF OPA-LOCKA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

NOTE 16. RESTATEMENT – PRIOR PERIOD ADJUSTMENTS (cont'd)

- For the storm water, adjustments totaled \$150,255, which were related to capitalized truck equipment, water and sewer billing adjustment, accounts payable liabilities and other miscellaneous items.

Net effect of corrections to Business-Type Activities as follows:

	<u>Business-Type Activities</u>
Water and sewer	\$ (3,217,260)
Solid waste	(150)
Stormwater	<u>(150,255)</u>
Total	<u>\$ (3,367,665)</u>

NOTE 17. NEW ACCOUNTING PRONOUNCEMENTS ISSUED

Accounting Pronouncements – Adopted

GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2019.

GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. Also, it will help to safeguard the reliability of the financial statements, which in turn will benefit the users of those financial statements.

That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. Per the Standard, the effective dates of certain provisions contained in the following pronouncements are postponed by one year.

CITY OF OPA-LOCKA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

NOTE 17. NEW ACCOUNTING PRONOUNCEMENTS ISSUED (cont'd)

GASB Statement No. 98, *The Annual Comprehensive Financial Report*. The objective of this Statement is to address references in authoritative literature to the term comprehensive annual financial report. This Statement was developed in response to concerns raised by stakeholders that the common pronunciation of the acronym for comprehensive annual financial report sounds like a profoundly objectionable racial slur. This Statement replaces an existing term but does not otherwise establish new accounting and financial reporting requirements. The requirements of this Statement apply to all state and local governments.

The terms comprehensive annual financial report and comprehensive annual financial reports in NCGA and GASB pronouncements are replaced with annual comprehensive financial report and annual comprehensive financial reports, respectively. The associated acronyms in NCGA and GASB pronouncements are replaced with ACFR and ACFRs.

The requirements of the GASB Statement No. 98 are effective for fiscal year ending after December 15, 2021. Earlier application is encouraged.

NOTE 18. STATE AND LOCAL AGREEMENT

On June 1, 2016, the City of Opa-locka City Commission adopted a Resolution to request a declaration that the City is in a state of financial emergency to seek the appointment of a financial emergency board and other assistance pursuant to section 218.503(1), Florida Statutes. The State of Florida, Office of the Governor, issued Executive Order 16-135, signed by Florida Governor Rick Scott.

On June 8, 2016, the City entered into a State and Local Agreement of Cooperation between the Governor as a result of being in a state of financial emergency. The State implemented measures to resolve the financial emergency, the City's cooperation with the Governor to resolve the financial emergency and the Governor to designate the Office of the Chief Inspector General ("Governor's Designee") to serve as the lead entity responsible for coordinating the Governor's efforts in providing intervention and assistance to the City.

One element of exiting from a state of financial emergency is the development of a Five-Year Recovery Plan by the City, demonstrating the City's ability to satisfy the requirements necessary for restoration of the City's fiscal integrity. The City submitted a proposed Five-Year Recovery Plan to the State of Florida, which was approved in August 2020 without modification.

CITY OF OPA-LOCKA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

NOTE 19. SUBSEQUENT EVENTS

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through October 21, 2022, the date the financial statements were available to be issued. There were no other significant events that management believed require disclosure other than those listed below.

The City was awarded \$2.1 million from Miami-Dade County (“County”) as part of their allocation from the Coronavirus Relief Fund under the Coronavirus Aid, Relief, and Economic Security (CARES) Act for the creation of new municipal programs responding to and mitigating the effects of COVID-19. In addition, the City also received from this funding, through the County, \$2 million, in reimbursement for local municipalities pandemic related eligible expenditures of operational costs, in February 2021.

As of December 2021, the City has received \$84,741 in reimbursements from the Coronavirus Emergency Supplemental Funding (CESF) Program through the Office of Justice Programs (OJP), U.S. Department of Justice (DOJ), Bureau of Justice Assistance, to support activities to prevent, prepare and respond to the coronavirus for COVID-19 emergency protective measures. Reimbursements were provided for overtime cost incurred for law enforcement.

The City recouped \$261,546 from Miami-Dade County in May 2021, as a result of completing an outstanding backlog of the Charter County Transportation System Surtax Review. This amount is the City’s portion of Surtax proceeds used in compliance with the Interlocal Agreement for Distribution, Use and Reporting of Charter County Transit System Surtax Proceeds levied by Miami-Dade County after completing its annual surtax audit for the fiscal years ended September 30, 2018.

In addition, the City recouped \$730,582 in April 2022, for monies being withheld, because of completing its annual surtax audit for fiscal year ended September 30, 2019.

**REQUIRED SUPPLEMENTARY
INFORMATION
(Other than MD&A)**

CITY OF OPA-LOCKA, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE

GENERAL FUND (GAAP BUDGETARY BASIS – UNAUDITED) FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

	Budgeted Amounts		Actual	Difference from
	Original	Final		Final Budget
				Positive (Negative)
Revenues:				
Taxes:				
Property taxes	\$ 10,747,824	\$ 10,747,824	\$ 10,349,888	\$ (397,936)
Utility taxes	42,749	42,749	65,595	22,846
Local business taxes	223,500	203,500	240,073	36,573
Franchise fees	1,881,433	1,872,433	1,836,982	(35,451)
Permits and fees	607,540	607,540	1,650,565	1,043,025
Intergovernmental	90,703	121,803	1,774,972	1,653,169
Charges for services	68,750	140,798	118,997	(21,801)
Fines and forfeitures	1,845,000	2,361,483	1,669,439	(692,044)
Miscellaneous	189,248	134,000	535,005	401,005
Total revenues	15,696,747	16,232,130	18,241,516	2,009,386
Expenditures:				
General government:				
City commission	212,652	212,652	183,686	28,966
City manager	4,755,613	4,853,689	1,300,211	3,553,478
City clerk	430,147	460,654	444,312	16,342
City attorney	673,983	673,983	423,416	250,567
Finance	888,838	864,838	766,301	98,537
Information technology	-	-	830	(830)
Human resources	303,525	303,525	259,172	44,353
Building licenses	593,256	480,644	361,824	118,820
Community development	421,762	421,762	337,850	83,912
Town center	-	-	2,062	(2,062)
Risk management	-	-	480	(480)
Total general government	8,279,776	8,271,747	4,080,144	4,191,603
Public safety:				
Police	5,877,515	6,688,535	6,372,483	316,052
Code enforcement	473,226	473,226	426,954	46,272
Total public safety	6,350,741	7,161,761	6,799,437	362,324
Public works:				
Administration	299,179	450,179	397,284	52,895
Sanitation	110,000	110,000	50,252	59,748
Street maintenance	1,304,762	1,304,762	913,123	391,639
Building maintenance	701,973	756,673	387,891	368,782
Vehicle maintenance	751,003	679,003	-	679,003
Total public works	3,166,917	3,300,617	1,748,549	1,552,068
Parks and recreation:				
Parks	999,512	999,512	488,320	511,192
Total parks and recreation	999,512	999,512	488,320	511,192
Total expenditures	18,796,946	19,733,637	13,116,451	6,617,186
Excess (deficiency) of revenues over (under) expenditures	(3,100,199)	(3,501,507)	5,125,066	(4,607,800)
Other financing sources (uses):				
Initiation of capital lease	-	-	161,034	
Transfer out	-	-	(4,129,946)	
Transfer in	3,100,199	3,501,507	7,487,465	
Total other financing sources (uses)	3,100,199	3,501,507	3,518,553	
Net change in fund balance	-	-	8,643,618	
Fund balance, beginning, as previously stated			(2,212,800)	
Prior period adjustment			671,826	
Fund balances, beginning, restated			(1,540,974)	
Fund balance, ending			<u>\$ 7,102,645</u>	

CITY OF OPA-LOCKA, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE

CAPITAL IMPROVEMENT DEBT SERVICE FUND (GAAP BUDGETARY BASIS – UNAUDITED) FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		(Negative)
Revenues:				
Taxes	\$ 1,591,217	\$ 3,002,691	\$ 1,848,288	\$ (1,154,403)
Intergovernmental	1,904,147	608,081	1,892,798	1,284,717
Interest	-	-	59	59
Total revenues	<u>3,495,364</u>	<u>3,610,772</u>	<u>3,741,144</u>	<u>130,372</u>
Expenditures:				
Current:				
General government	-	115,406	115,406	-
Debt service:				
Principal	797,150	3,397,150	3,431,424	(34,274)
Interest	412,708	412,708	421,850	(9,142)
Total expenditures	<u>1,209,858</u>	<u>3,925,264</u>	<u>3,968,679</u>	<u>(43,415)</u>
Excess (deficiency) of revenues over (under) expenditures	2,285,506	(314,492)	(227,535)	173,788
Other financing sources (uses):				
Transfer in	-	3,001,308	4,129,946	
Transfer out	<u>(2,285,506)</u>	<u>(2,686,816)</u>	<u>(7,487,465)</u>	(4,800,649)
Net change in fund balance	-	-	(3,585,054)	
Fund balance, beginning, as previously stated			6,101,588	
Prior period adjustment			<u>316,785</u>	
Fund balance beginning, restated			<u>6,418,373</u>	
Fund balance ending			<u>\$ 2,833,319</u>	

CITY OF OPA-LOCKA, FLORIDA

NOTES TO BUDGETARY SCHEDULE REQUIRED SUPPLEMENTARY INFORMATION FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

NOTE 1. BUDGETS AND BUDGETARY ACCOUNTING

Chapter 166, Florida Statutes, requires that all municipalities prepare, approve, adopt, and execute an annual budget for funds as may be required by law or by sound financial practices and generally accepted accounting principles. The budgets control the levy and the expenditure of money for City purposes in the ensuing fiscal year. The budgeting process is based on estimates of revenues and expenditures. The City budgets are prepared on a modified-accrual basis or accrual basis of accounting in accordance with generally accepted accounting principles.

The City follows these procedures in establishing the budgetary data reflected in the financial statements.

1. Prior to August 1, the City Manager submits to the City Commission a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to October 1, the budget is legally enacted through passage of an ordinance.
4. Budgetary control is maintained at the departmental and fund level, with finance department providing support to departments in the administration of their budgets. In accordance with the City's budget transfer policy, the City Manager is authorized to transfer budgeted amounts within any fund or functions; however, any supplemental appropriations or revisions that amend the total expenditure of any fund must be approved by the City Commission. The City had supplemental appropriations for the general fund and the capital improvement debt service fund. The City also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Encumbrances outstanding at the balance sheet date are canceled.
5. Annual operating budgets are legally adopted for the General, Capital Improvements Debt Service, and Enterprise Funds. All budgets are on a basis consistent with accounting principles generally accepted in the United States of America. The legal level of budgetary control is the department level for the general fund. This is the level at which expenditures may not exceed appropriations.
6. All annual appropriations lapse at fiscal year-end.

NOTE 2. BUDGETARY EXPENDITURES IN EXCESS OF APPROPRIATIONS

The Capital Improvement Debt Service fund increased its revenues over the budget by \$245,780, however expenditures exceeded appropriated budget by \$43,415 due to early principal payments due to release of withheld funds.

CITY OF OPA-LOCKA, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY – FLORIDA RETIREMENT SYSTEM PENSION PLAN JUNE 30, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
City of Opa-locka's proportion of the net pension liability	0.0237%	0.0231%	0.0266%	0.0259%	0.0343%
City of Opa-locka's proportionate share of the net pension liability	\$ 10,282,978	\$ 7,949,247	\$ 8,031,493	\$ 7,654,405	\$ 8,653,259
City of Opa-locka's covered payroll	\$ 7,046,100	\$ 6,672,105	\$ 7,215,167	\$ 6,227,058	\$ 8,360,620
City of Opa-locka's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	145.94%	119.14%	111.31%	122.92%	103.50%
Plan fiduciary net position as a percentage of the total pension liability	68.52%	83.93%	89.84%	81.35%	96.62%

Note: The amounts presented for each fiscal year were determined as of June 30th.

These schedules are presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

CITY OF OPA-LOCKA, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF THE CITY'S CONTRIBUTIONS – FLORIDA RETIREMENT SYSTEM PENSION PLAN SEPTEMBER 30, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 1,012,564	\$ 896,903	\$ 926,137	\$ 852,437	\$ 983,512
Contributions in relation to the contractually required contribution	1,012,564	896,903	926,137	852,437	983,512
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
City of Opa-locka's covered payroll	\$ 7,392,538	\$ 6,716,687	\$ 7,134,236	\$ 6,394,032	\$ 7,395,338
Contributions as a percentage of covered payroll	13.70%	13.35%	12.98%	13.33%	13.30%

Note: The amounts presented for each fiscal year were determined as of September 30th.

These schedules are presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

CITY OF OPA-LOCKA, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY – HEALTH INSURANCE SUBSIDY PENSION PLAN JUNE 30, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
City of Opa-locka's proportion of the net pension liability	0.0198%	0.0198%	0.0216%	0.0195%	0.0270%
City of Opa-locka's proportionate share of the net pension liability	\$ 2,468,863	\$ 2,211,518	\$ 2,282,255	\$ 2,082,612	\$ 3,144,569
City of Opa-locka's covered payroll	\$ 7,046,100	\$ 6,672,105	\$ 7,215,167	\$ 6,227,058	\$ 8,360,620
City of Opa-locka's proportionate share of the net pension liability as a percentage of its covered payroll	35.04%	33.15%	31.63%	33.44%	37.61%
Plan fiduciary net position as a percentage of the total pension liability	3.00%	2.63%	2.15%	1.64%	0.97%

Note: The amounts presented for each fiscal year were determined as of June 30th.

These schedules are presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available

CITY OF OPA-LOCKA, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF THE CITY'S CONTRIBUTIONS – HEALTH INSURANCE SUBSIDY PENSION PLAN SEPTEMBER 30, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 148,301	\$ 135,611	\$ 141,785	\$ 129,528	\$ 161,304
Contributions in relation to the contractually required contribution	148,301	135,611	141,785	129,528	161,304
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City of Opa-locka's covered payroll	\$ 7,392,538	\$ 6,716,687	\$ 7,134,236	\$ 6,394,032	\$ 7,395,338
Contributions as a percentage of covered payroll	2.01%	2.02%	1.99%	2.03%	2.18%

Note: The amounts presented for each fiscal year were determined as of September 30th.

These schedules are presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

CITY OF OPA-LOCKA, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CHANGES IN THE CITY'S TOTAL – OTHER POST EMPLOYMENT BENEFITS LIABILITY AND RELATED RATIOS

	September 30, 2020	September 30, 2019	September 30, 2018
Balance at beginning of the fiscal year	\$ 377,107	\$ 341,870	\$ 309,518
Changes for the year:			
Service cost	24,367	28,827	28,528
Interest	8,521	13,113	12,155
Difference between expected and actual experience	(109,357)	-	-
Changes in assumptions	9,388	2,184	-
Benefits payments	(6,655)	(8,887)	(8,331)
Net changes	(73,736)	35,237	32,352
Balance at the fiscal year end	\$ 303,371	\$ 377,107	\$ 341,870
 Covered payroll	 \$ 7,392,538	 \$ 6,716,687	 \$ 7,134,236
 Total OPEB Liability as a % of covered payroll	 4.10%	 5.61%	 4.79%

Notes to schedule

1. Changes of assumptions – Discount rate was changed as follows:

Discount Rate	
9/30/2018	3.64%
9/30/2019	3.58%
9/30/2020	2.14%

The amounts presented for each fiscal year were determined as of September 30th. GASB Statement No. 75 requires the schedule to show information for 10 years. Additional years will be displayed as they become available.

OTHER SUPPLEMENTARY INFORMATION

CITY OF OPA-LOCKA, FLORIDA

COMBINING BALANCE SHEET — NON-MAJOR GOVERNMENTAL FUNDS SEPTEMBER 30, 2020

	Law Enforcement	People's Transportation Tax	Community Redevelopment Agency	Safe Neighborhood Capital Projects	Total
ASSETS					
Cash	\$ 264,734	\$ 105,100	\$ 861,020	\$ 125,073	\$ 1,355,927
Accounts receivable, net	-	-	-	580,570	580,570
Due from other funds	119,110	3,170,005	844,328	1,271,980	5,405,422
Due from other governments	-	1,539,295	-	413,065	1,952,360
Restricted cash	-	-	-	71,267	71,267
Total assets	<u>\$ 383,844</u>	<u>\$ 4,814,400</u>	<u>\$ 1,705,348</u>	<u>\$ 2,461,955</u>	<u>\$ 9,365,547</u>
LIABILITIES					
Accounts payable and accrued liabilities	\$ 164,413	\$ 35,284	\$ 11,165	\$ 409,062	\$ 619,924
Due to other funds	154,965	3,830,972	532,067	1,572,147	6,090,151
Unearned revenue	-	400,869	-	-	400,869
Total liabilities	<u>319,378</u>	<u>4,267,125</u>	<u>543,232</u>	<u>1,981,209</u>	<u>7,110,944</u>
FUND BALANCES					
Restricted for:					
CRA	-	-	1,162,116	-	1,162,116
Public safety (Training)	119,110	-	-	-	119,110
Transportation	-	547,275	-	-	547,275
Capital projects	-	-	-	480,746	480,746
Unrestricted	(54,645)	-	-	-	(54,645)
Total fund balance	<u>64,465</u>	<u>547,275</u>	<u>1,162,116</u>	<u>480,746</u>	<u>2,254,603</u>
Total liabilities and fund balance	<u>\$ 383,844</u>	<u>\$ 4,814,400</u>	<u>\$ 1,705,348</u>	<u>\$ 2,461,955</u>	<u>\$ 9,365,547</u>

CITY OF OPA-LOCKA, FLORIDA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES — NON-MAJOR GOVERNMENTAL FUNDS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

	Law Enforcement	People's Transportation Tax	Community Redevelopment Agency	Safe Neighborhood Capital Projects	Total
REVENUES					
Property Taxes	\$ -	\$ -	\$ 734,293	\$ -	\$ 734,293
Local option, use and fuel taxes	-	-	-	277,099	277,099
Intergovernmental	2,410	157,541	-	313,065	473,016
Interest	-	-	-	577	577
Total revenues	<u>2,410</u>	<u>157,541</u>	<u>734,293</u>	<u>590,741</u>	<u>1,484,985</u>
EXPENDITURES					
Current:					
General government	-	150,002	66,090	313,065	529,156
Public safety	168,819	-	-	-	168,819
Transportation	-	473,060	-	8,051	481,111
Capital Outlay	4,406	189,866	-	-	194,272
Total expenditures	<u>173,225</u>	<u>812,927</u>	<u>66,090</u>	<u>321,116</u>	<u>1,373,358</u>
Excess (deficiency) of revenues over expenditures	(170,815)	(655,386)	668,203	269,625	111,626
OTHER FINANCING SOURCES (USES):					
Transfer out	-	-	(344,971)	-	(344,971)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(344,971)</u>	<u>-</u>	<u>(344,971)</u>
Net change in fund balances	(170,815)	(655,386)	323,232	269,625	(233,345)
Fund balances, beginning, as previously stated	670,731	1,130,655	779,900	156,461	2,737,747
Prior period adjustment	(435,450)	72,006	58,985	54,660	(249,799)
Fund balances, beginning, restated	<u>235,281</u>	<u>1,202,661</u>	<u>838,884</u>	<u>211,121</u>	<u>2,487,948</u>
Fund balances, ending	<u>\$ 64,465</u>	<u>\$ 547,275</u>	<u>\$ 1,162,116</u>	<u>\$ 480,746</u>	<u>\$ 2,254,603</u>

CITY OF OPA-LOCKA, FLORIDA

COMBINING STATEMENT OF NET POSITION — NON-MAJOR ENTERPRISE FUNDS SEPTEMBER 30, 2020

ASSETS	Solid Waste	Stormwater	Total
Current assets:			
Cash	\$ -	\$ 1,712,837	\$ 1,712,837
Accounts receivable, net	-	201,529	201,529
Due from other funds	1,690,114	1,547,997	3,238,111
Due from other governments	-	38,514	38,514
Restricted cash	-	110,000	110,000
Total current assets	1,690,114	3,610,877	5,300,991
Non-current assets:			
Capital assets, non-depreciable	-	289,056	289,056
Capital assets, depreciable	-	254,483	254,483
Total non-current assets	-	543,539	543,539
Total assets	1,690,114	4,154,416	5,844,530
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to OPEB (See Note 13)	-	81	81
Total deferred outflows of resources	-	81	81
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	\$ -	\$ 191,639	\$ 191,639
Due to other funds	1,649,136	1,585,186	3,234,322
Customer deposits	64,074	-	64,074
Current portion of long term debt	-	59,204	59,204
Total current liabilities	1,713,210	1,836,029	3,549,239
Non-current liabilities:			
Compensated absences	-	34,458	34,458
Total OPEB liability	-	3,034	3,034
Debt related to capital acquisitions	-	143,320	143,320
Other long-term debt	-	434,516	434,516
Total non-current liabilities	-	615,327	615,327
Total liabilities	1,713,210	2,451,356	4,164,566
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to OPEB (See Note 13)	-	785	785
Total deferred inflows of resources	-	785	785
NET POSITION			
Net investment in capital assets	-	400,220	400,220
Unrestricted	(23,096)	1,302,136	1,279,040
Total net position	\$ (23,096)	\$ 1,702,356	\$ 1,679,260

CITY OF OPA-LOCKA, FLORIDA

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION — NON-MAJOR ENTERPRISE FUNDS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

	Solid Waste	Stormwater	Total
Operating revenues:			
Charges for services	\$ -	\$ 1,086,670	\$ 1,086,670
Total operating revenues	-	1,086,670	1,086,670
Operating expenses:			
Operating, administrative and maintenance	-	323,418	323,418
Depreciation	-	78,809	78,809
Bad debts and other	-	150,327	150,327
Total operating expenses	-	552,553	552,553
Operating income (loss)	-	534,118	534,118
Non-operating revenues (expenses):			
Interest costs	-	(26,094)	(26,094)
Total non-operating revenues (expenses)	-	(26,094)	(26,094)
Change in net position	-	508,024	508,024
Net position, beginning, as previously stated	(22,946)	1,344,586	1,321,639
Prior period adjustment	(150)	(150,255)	(150,405)
Net position, beginning, restated	(23,096)	1,194,331	1,171,236
Net position, ending	\$ (23,096)	\$ 1,702,356	\$ 1,679,260

CITY OF OPA-LOCKA, FLORIDA

COMBINING STATEMENT OF CASH FLOWS — NON-MAJOR ENTERPRISE FUNDS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

	Solid Waste	Stormwater	Total
Cash flows from operating activities:			
Cash received from customers and users	\$ -	\$ 369,564	\$ 369,564
Cash paid to vendors and suppliers	80	(192,057)	(191,977)
Cash paid to employees	-	(36,176)	(36,176)
Net cash provided (used) by operating activities	80	141,331	141,411
Cash flows from noncapital financing activities:			
Transfers from/(to) other funds	(80)	(271,713)	(271,793)
Net cash provided (used) by noncapital financing activities	(80)	(271,713)	(271,793)
Cash flows from capital and related financing activities:			
Interest paid on long term debt	-	(26,093)	(26,093)
Principal paid on debt	-	(152,945)	(152,945)
Net cash provided (used) by capital and related financing activities	-	(179,038)	(179,038)
Net increase (decrease) in cash	-	(309,420)	(309,420)
Cash, beginning	-	2,132,257	2,132,257
Cash, ending	\$ -	\$ 1,822,837	\$ 1,822,837
Display as:			
Unrestricted	\$ -	\$ 1,712,837	\$ 1,712,837
Restricted	-	110,000	110,000
Total	\$ -	\$ 1,822,837	\$ 1,822,837
Reconciliation of operating income to cash provided (used) by operating activities:			
Operating income (loss)	\$ -	\$ 508,024	\$ 508,024
Adjustment to reconciled operating income to net cash provided by (used in) operating activities:			
Depreciation expenses	-	78,809	78,809
(Increase) decrease in:			
Accounts receivable	-	(12,105)	(12,105)
Deferred outflow	-	(102)	(102)
Due from other funds	150	(683,691)	(683,541)
Increase (decrease) in:			
Accounts payable and accrued liabilities	-	(73,125)	(73,125)
Customer deposits	(70)	-	(70)
Compensated absences	-	6,147	6,147
Other liabilities and pension	-	105,106	105,106
Due to other funds	-	212,268	212,268
Net cash provided (used) by operating activities	\$ 80	\$ 141,331	\$ 141,411

COMPLIANCE SECTION

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

To the Honorable Mayor, City Commission, and City Manager
City of Opa-locka, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Opa-locka, Florida (the "City"), as of and for the fiscal year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 21, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we did identify certain deficiencies in internal control that we consider to be a material weakness and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items MW2020-001, MW2019-03, MW2017-01, MW2017-02, MW2017-04 and MW2015-01 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items SD2020-01, SD2020-02, SD2017-06, SD2020-03, SD2015-002 and SD2015-03 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items SD2020-001 and SD2020-002.

City's Response to Findings

The City's response to the findings identified in our audit are described in the accompanying schedule of findings and questions costs and corrective action plan. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Marcum LLP

Miami, FL
October 21, 2022

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE;
AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY THE UNIFORM GUIDANCE**

To the Honorable Mayor, City Commission, and City Manager
City of Opa-Locka, Florida

Report on Compliance for the Major Federal Program

We have audited the City of Opa-locka, Florida's (the "City") compliance with the types of compliance requirements described in the *OMB Compliance Supplement*, that could have a direct and material effect on the City's major federal program for the fiscal year ended September 30, 2020. The City's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the City's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for its major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on the Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the fiscal year ended September 30, 2020.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of and for the fiscal year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated October 21, 2022, which contained qualified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Marcum LLP

Miami, FL
October 21, 2022

CITY OF OPA-LOCKA, FLORIDA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

Federal/Pass-through Entity, Federal Program	AL/CFDA No.	Contract/Grant Number	Funds Expended
<i>U.S. Department of Justice</i>			
Direct Programs:			
Equitable Sharing Program	16.922	N/A	\$ 181,368
Coronavirus Emergency Supplemental Funding - COVID-19	16.034	N/A	<u>78,777</u>
<i>Total U.S. Department of Justice</i>			<u>260,145</u>
<i>U.S. Department of the Treasury</i>			
Direct Program:			
Coronavirus Relief Fund - COVID-19	21.019	2020-COGGC-1164	<u>1,496,732</u>
<i>Total U.S. Department of the Treasury</i>			<u>1,496,732</u>
<i>U.S. Department of Housing and Urban Development</i>			
Direct Programs:			
Community Development Block Grant (CDBG):			
CDBG Entitlement Cluster	14.218	R-579-15 & R-762-17	<u>313,065</u>
<i>Total CDBG Entitlement Cluster</i>			<u>313,065</u>
<i>Total U.S. Department of Housing and Urban Development</i>			<u>313,065</u>
<i>Total Expenditures of Federal Awards</i>			<u>\$ 2,069,942</u>

Note: No amounts were passed through to Subrecipients.

See notes to schedule of expenditures of federal awards.

CITY OF OPA-LOCKA, FLORIDA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “Schedule”) presents the expenditure activity of all federal awards of the City of Opa-locka, Florida (the “City”) for the fiscal year ended September 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position/fund balance or cash flows of the City.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported in the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 – INDIRECT COST RATE

The City has elected not to use the 10-percent de minimis indirect cost rate for federal programs allowed under the Uniform Guidance.

CITY OF OPA-LOCKA, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

NOTE 3 – INDIRECT COST RATE (CONTINUE)

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued on whether the financial statements audited were prepared in accordance with GAAP: *Qualified Opinion*

Internal control over financial reporting:
 Material weakness(es) identified? X Yes No

Significant deficiency(ies) identified? X Yes None reported

Noncompliance material to financial statements noted? X Yes No

Federal Awards

Internal control over the major federal program:
 Material weakness(es) identified? Yes X No
 Significant deficiency(ies) identified? Yes X None reported

Type of auditors' report issued on compliance for the major federal program: *Unmodified Opinion*

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes X No

Identification of major program:

<u>Federal Program or Cluster</u>	<u>AL/CFDA No.</u>
Coronavirus Relief Fund	21.019

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as a low-risk pursuant to the Uniform Guidance? Yes X No

CITY OF OPA-LOCKA, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

SECTION II – FINANCIAL STATEMENT FINDINGS

SUMMARY OF FINDINGS

Finding No.	Title
MW2020-01	Reporting of City's Due To/From Other Funds Transactions
MW2020-02	Support For Building Permit Charges
MW2019-03	Inaccurate Calculation and Accrual of Department of Environmental Resources Management (DERM) Revenue
MW2017-01	Florida Auditor General Report Findings
MW2017-02	Strengthen Staff Resources in the Finance and Accounting Department
MW2017-04	Reconciliation of Cash Accounts
MW2015-01	Timeliness of Recording Individual Transactions
SD2020-01	Internal Controls over the Preparation of the Schedule of Expenditures of Federal Awards (SEFA)
SD2020-02	Non-Compliance with Florida Statutes
SD2020-03	Support for Stormwater Utility Charge
SD2017-06	Pension Plan Remittance
SD2015-02	Upgrade the Accounting System
SD2015-03	Financial Reporting Policies and Procedures Manual and Reconciliation of General Ledger Accounts to Supporting Documents

Note: "MW" identifies a Material Weakness and "SD" a Significant Deficiency

CITY OF OPA-LOCKA, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

MATERIAL WEAKNESSES

MW 2020-01 REPORTING OF CITY’S DUE TO/FROM OTHER FUNDS TRANSACTIONS

Criteria

As per Governmental Accounting Standard Board (“GASB”) Codification of Governmental Accounting and Financial Reporting Standards Sec. 1800.102a(1), interfund loans are amounts provided with a requirement for repayment. If repayment is not expected within a reasonable time, the interfund balances should be reduced and the amount that is not expected to be repaid timely should be reported as a transfer from the fund that made the loan to the fund that received the loan.

Condition

The City is currently recording Due To/From other funds activity without any consideration for future payment or collection of amounts. The City’s Due To/From activity has significantly increased from prior years with no current plans on repayment. As such, the City has not appropriately accounted for its Due To/From account activity as of and for the fiscal year ended September 30, 2020.

Cause

Inadequate internal controls over financial reporting process.

Effect

A lack of consideration of repayment or collection terms and reconciliation of the City’s Due To/From activity has led to possible misstatements to the financial statement and a qualified opinion for the fiscal year ended September 30, 2020.

Recommendation

The City should ensure that adequate procedures and internal controls are in place to ensure that the Due to/from other funds activity is complete and accurate and repaid within a reasonable time frame. These controls should include controls requiring the reconciliation of amounts to the appropriate supporting documentation (e.g., general ledger, resolutions, invoices, etc.). The City should also analyze their Due to/from other funds activity to ensure transfers in/out are properly budgeted for in future years for repayment and collection between funds.

CITY OF OPA-LOCKA, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

MATERIAL WEAKNESSES (CONTINUED)

**MW 2020-01 REPORTING OF CITY’S DUE TO/FROM OTHER FUNDS TRANSACTIONS
(CONTINUED)**

View of Responsible Official and Planned Corrective Action

See accompanying corrective action plan.

MW2020-02 SUPPORT FOR BUILDING PERMIT CHARGES

Criteria

Adequate accounting records should be secured and retained as a standard business practice.

Condition

During the building permit billings and collections testing, the auditor noted the City was not able to locate support for eight (8) out of a sample of twenty-five (25) selections tested. For these eight (8) selections, no information or supporting documentation was maintained regarding permit application or invoice. As such, Marcum could not recalculate total permit revenue for these eight selections.

Cause

Inadequate internal controls over recordkeeping of building permit related documents.

Effect

Building permit revenue recorded by the City for the fiscal year could not be accurately recalculated, and the revenue balance may be misstated.

Recommendation

The City should establish adequate internal controls to ensure that all relevant supporting documentation and records that support their account activity and balances for financial reporting and pursuant to Florida statutes record retention policy are maintained.

Views of Responsible Official and Planned Corrective Action

See accompanying Corrective Action Plan.

CITY OF OPA-LOCKA, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

MW2019-03 INACCURATE CALCULATION AND ACCRUAL OF DEPARTMENT OF ENVIRONMENTAL RESOURCES MANAGEMENT (DERM) REVENUE (REPEAT FINDING)

Criteria

Per Section 24-34 of the Code of Miami-Dade County (the "County"), "Each water or sewer utility shall collect from its customers and pay to the County a County service fee equal to eight dollars (\$8.00) per each one hundred dollars (\$100.00) of the receipts of said utility derived from its water and/or sewer utility operations conducted within the County to cover the cost of providing certain environmental services to and certain environmental regulation of said water or sewer utilities. Effective October 1, 2017, the service fee was reduced to \$6.00 per each \$100.00 of the receipts of each water or sewer utility derived from its water and/or sewer utility operations conducted within the County."

Condition

The DERM service fee revenue was accrued at 8% but paid to Miami-Dade County at 6%. Although the rate changed from 8% to 6% effective October 1, 2017, the City continued to accrue the DERM at the old rate. As a result, there is excess revenue being accrued compared to the actual DERM payment to Miami-Dade County for the same period overstating revenue by approximately \$182,000. As such, the City is accruing DERM revenue at a higher rate than is required by or remitted to the County.

Cause

Inadequate internal controls over utility billing process.

Effect

This results in the overstatement of DERM revenue.

CITY OF OPA-LOCKA, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

MATERIAL WEAKNESSES (CONTINUED)

MW2019-03 INACCURATE CALCULATION AND ACCRUAL OF DEPARTMENT OF ENVIRONMENTAL RESOURCES MANAGEMENT (DERM) REVENUE (REPEAT FINDING) (CONTINUED)

Recommendation

The City must accurately accrue for DERM tax at the rate stipulated by the County's Code. As such, we recommend the City establish adequate internal controls to ensure DERM tax rate is accurate and applied correctly.

Current Year Status

The City continued to charge its customers the incorrect rate of 8% for the DERM service fee for the fiscal year ended September 30, 2020. The city should determine all amounts collected in excess of the allowable percentage (6%), and determine a proper refund process for the affected customers.

View of Responsible Official and Planned Corrective Action

See accompanying corrective action plan.

MW2017-01 FLORIDA AUDITOR GENERAL REPORT FINDINGS (REPEAT FINDING)

Criteria

Prudent accounting practices include policies, procedures, and controls over the safeguarding, recording, processing, and reporting of the City's financial operations and transactions.

Condition

On May 23, 2019, the Auditor General of the State of Florida prepared a report on the City, pursuant to an operational audit conducted by the Agency. As a result of the audit, multiple findings and recommendations were submitted to City seeking actual or proposed corrective actions.

Recommendation

We recommend that the City designate a member of management take timely action to resolve issues identified or proposed action plans to formally address issues cited as soon as time permits.

CITY OF OPA-LOCKA, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

MATERIAL WEAKNESSES (CONTINUED)

**MW2017-01 FLORIDA AUDITOR GENERAL REPORT FINDINGS (REPEAT FINDING)
(CONTINUED)**

Current Year Status

The Auditor General report dated May 23, 2019, contained 99 findings and related recommendations. Certain items prescribed in the proposed corrective action plan were addressed; however, as of October 21, 2022, certain items remain open.

View of Responsible Official and Planned Corrective Action

See accompanying corrective action plan.

**MW2017-02 STRENGTHEN STAFF RESOURCES IN THE FINANCE AND ACCOUNTING
DEPARTMENT (REPEAT FINDING)**

Criteria

The City should have available finance and/or accounting staff members who understand and have experience in the accounting and financial reporting requirements of the governmental industry.

Condition

In performing the City's audits, we noted conditions of personnel turnover as well as a lack of full- time employees who possess the skills, knowledge, and experience in the governmental industry.

Recommendation

We recommend that the City assess the accounting department staffing needs as well as hire an experienced governmental accounting person or trained existing staff member to enhance their skill sets.

CITY OF OPA-LOCKA, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

MATERIAL WEAKNESSES (CONTINUED)

MW2017-02 STRENGTHEN STAFF RESOURCES IN THE FINANCE AND ACCOUNTING DEPARTMENT (REPEAT FINDING) (CONTINUED)

Current Year Status

An initial working trial balance (“WTB”) was received from the City's Finance and Accounting department on April 21, 2022, for the fiscal year ended September 30, 2020. During field work for this audit engagement, eighty-six (86) audit adjustments aggregating to approximately \$78,861,000, were required to correct the original WTB submission. A complete assessment of the skillset and knowledge of the City's team is required to address required daily tasks.

View of Responsible Official and Planned Corrective Action

See accompanying corrective action plan.

MW2017-04 RECONCILIATION OF CASH ACCOUNTS (REPEAT FINDING)

Criteria

Timely preparation of complete and accurate bank reconciliations is a key to maintaining adequate control over both cash receipts and disbursements.

Condition

During review of cash accounts, we noted that the account reconciliation was not accurately completed. For governmental funds checks totaling \$35,560 that cleared the bank account prior to September 30, 2017, were included in reconciling listing of outstanding as of September 30, 2017. For the water and sewer fund checks totaling \$583,141 that cleared the bank prior to September 30, 2017, were included in the reconciling listing of outstanding checks as of September 30, 2017.

Cause

Failure of the City to perform timely reconciliation of cash accounts.

Effect

Material journal entries were proposed to correct errors and misstatements.

CITY OF OPA-LOCKA, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

MATERIAL WEAKNESSES (CONTINUED)

MW2017-04 RECONCILIATION OF CASH ACCOUNTS (REPEAT FINDING) (CONTINUED)

Recommendation

We recommend that the bank reconciliations be reviewed for accuracy and completeness on a timely basis by the someone with the appropriate skill-set identify significant discrepancies. The review should include tests of mechanical accuracy and tracing of items on the reconciliation to the relevant source documents.

Current Year Status

The City could not provide documentation noting when bank reconciliations were prepared and reviewed by the appropriate individuals for all twelve (12) months for each of the twenty (20) bank accounts. Additionally, the City National Operating Account and City National Water and Sewer account had unreconciled differences of approximately \$37,500 and \$8,100, respectively, as of September 30, 2020. Therefore, the auditor was not able to determine if bank reconciliations were prepared and reviewed timely.

View of Responsible Official and Planned Corrective Action

See accompanying corrective action plan.

MW2015-01 TIMELINESS OF RECORDING INDIVIDUAL TRANSACTIONS (REPEAT FINDING)

Criteria

Prudent accounting practices include policies, procedures and controls over the recording, processing, and reporting of accounting events and transactions.

Condition

We believe that the City of Opa-locka does not maintain adequate financial records. Certain transactions are not summarized in a general ledger, nor all transactions recorded on the books in a timely manner. Such a system does not permit the preparation of accurate and reliable financial statements.

CITY OF OPA-LOCKA, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

MATERIAL WEAKNESSES (CONTINUED)

**MW2015-01 TIMELINESS OF RECORDING INDIVIDUAL TRANSACTIONS (REPEAT FINDING)
(CONTINUED)**

Recommendation

We recommend that a designated member of management performs periodic analysis of significant accounts to determine the completeness of account balances and investigate and resolve any issues identified. This practice serves to enforce checks and balances necessary for strong internal controls and accurate financial reporting.

Current Year Status

This condition still exists in fiscal year ended September 30, 2020. During field work, eighty-six (86) audit adjustments aggregating to approximately \$78,861,000, were required to correct the original working trial balance provided by management. Ultimately this led to a delay in the completion of the audit procedures, multiple changes to the amounts and disclosures presented in the draft financial statements provided to the auditor and further delaying the financial statements completion and issuance date.

View of Responsible Official and Planned Corrective Action

See accompanying corrective action plan.

CITY OF OPA-LOCKA, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

SECTION II – FINANCIAL STATEMENT FINDINGS AND STATUS (CONTINUED)

SIGNIFICANT DEFICIENCIES

SD2020-001 INTERNAL CONTROLS OVER THE PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (SEFA)

Criteria

The City is required to prepare a SEFA in accordance with the prescribed guidelines of the Uniform Guidance (“UG”). In addition, 2 CFR Section 200.512(a) of the Uniform Guidance requires the reporting package and Data Collection Form (“DCF”) to be submitted to the Federal Audit Clearinghouse the earlier of 30 calendar days after the reports are received from the auditor or nine months after the City’s year end.

Condition

The City did not prepare the SEFA in accordance with the prescribed guidelines of the UG and incorrectly identified the federal grant programs. Additionally, due to the delay in financial close of the City’s books and records, a federal single audit for fiscal year 2020 was not performed in a timely manner and the DCF was not submitted by its due date of December 31, 2021 (as per extension granted by OMB Memo 21-20).

Cause

Due to improperly trained staff and lack of supervision and review, the City was not able to complete the financial close process in a timely manner which led to the delay in the financial statement and the federal single audit being completed.

Effect

Incorrectly identifying federal grant programs on the SEFA and not meeting the submission deadlines results in the City being out of compliance with the requirements set forth in the underlying grant agreements and the Uniform Guidance. Such finding could impact subsequent federal funding.

Recommendation

The City should ensure that adequate procedures and internal controls are in place to ensure that the SEFA is complete and accurate and prepared in a timely manner. These controls should include controls requiring the reconciliation of federal expenditures and program identification to the appropriate supporting documentation (e.g., general ledger, grant reports, etc.) and submitting the DCF by the due date.

View of Responsible Official and Planned Corrective Action

See accompanying corrective action plan.

CITY OF OPA-LOCKA, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

SECTION II – FINANCIAL STATEMENT FINDINGS AND STATUS (CONTINUED)

SIGNIFICANT DEFICIENCIES (CONTINUED)

SD2020-002 NON-COMPLIANCE WITH FLORIDA STATUTES

Criteria

Section 218.39(1), Florida Statutes, requires that a local government shall have an annual financial audit of its accounts and records completed within nine (9) months after the end of its fiscal year.

Condition

The City did not issue and file the September 30, 2020 financial statements with the Auditor General by June 30, 2021 or the Annual Financial Report (“AFR”) to the Florida Department of Financial Services by June 30, 2021, as required by Florida Statutes.

Cause

The City does not have an established financial statements review preparation policy to ensure all year-end amounts and disclosures as required by the Governmental Accounting Standards Board (“GASB”), are properly and accurately captured and reported in the Financial Statements in a timely manner

Effect

A lack of completing required closing procedures led to preliminary misstatements to the financial statements and a significant number of adjusting journal entries and reversal entries had to be posted after the commencement of the audit.

Recommendation

The City should ensure that adequate procedures and internal controls are in place to ensure that the Financial Statements are submitted in a timely manner. These controls should include controls requiring the reconciliation of account balances to the appropriate supporting documentation (e.g., general ledger, internal reports, note disclosures, etc.), the use of a disclosure checklist, and adequate training of staff with required accounting and financial reporting standards.

View of Responsible Official and Planned Corrective Action

See accompanying corrective action plan.

CITY OF OPA-LOCKA, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

SECTION II – FINANCIAL STATEMENT FINDINGS AND STATUS (CONTINUED)

SIGNIFICANT DEFICIENCIES

SD2020-03 SUPPORT FOR STORMWATER UTILITY CHARGE

Criteria

Adequate accounting records should be secured and retained as a standard business practice.

Condition

Currently, the City outsources a portion of the water/sewer billing process to Miami-Dade County. There were thirty-four (34) water/sewer accounts which continue to be billed and processed by the City as of September 30, 2020. For these City accounts, the City could not provide the support regarding the equivalent residential unit (“ERU”) calculation used to charge customers the storm water utility rates.

Cause

The City could not provide the 2008 study or any other rate study performed by the City that supports the equivalent residential unit (“ERU”) calculation used to charge customers the storm water utility rates for specific accounts billed and processed by the City.

Effect

Water and sewer revenues recorded related to account billed and processed by the City for the fiscal year cannot be recalculated, and the revenue balance may be misstated related to the ERU charge.

Recommendation

The City should retain all relevant documentation and records that support their account activity and balances pursuant to Florida statutes record retention policy.

CITY OF OPA-LOCKA, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

SECTION II – FINANCIAL STATEMENT FINDINGS AND STATUS (CONTINUED)

SIGNIFICANT DEFICIENCIES (CONTINUED)

SD2020-03 SUPPORT FOR STORMWATER UTILITY CHARGE (CONTINUED)

View of Responsible Official and Planned Corrective Action

See accompanying corrective action plan.

SD2017-06 PENSION PLAN REMITTANCE (REPEAT FINDING)

Criteria

The City participates in a deferred compensation plan as described in Internal Revenue Code section 457. Pursuant to federal regulations participants contributions received by an employer must be remitted to the Plan no later than the 15th business day of the month following the month in which the participant contribution are received by the employer.

Condition

During our review of the 457 Pension plan payments, we noted that for 5 months during fiscal year 2017 the City failed to remit funds in a timely manner as outlined in federal regulations.

Cause

Failure of the City design and implement adequate controls for timely remittance of employee contribution to the Plan.

Effect

Non-compliance with specific regulations may cause the Plan to become ineligible for the tax benefits of Section 457.

Recommendation

We recommend that the City implement procedures that with ensure full compliance with the Plan documents and federal regulations.

CITY OF OPA-LOCKA, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

SECTION II – FINANCIAL STATEMENT FINDINGS AND STATUS (CONTINUED)

SIGNIFICANT DEFICIENCIES (CONTINUED)

SD2017-06 PENSION PLAN REMITTANCE (REPEAT FINDING) (CONTINUED)

Current Year Status

This comment remains relevant as of September 30, 2020. The City failed to remit funds in a timely manner as outlined in federal regulations for all 12 months during the fiscal year ended September 30, 2020.

View of Responsible Official and Planned Corrective Action

See accompanying corrective action plan.

SD2015-02 UPGRADE THE ACCOUNTING SYSTEM (REPEAT FINDING)

Criteria

The financial accounting and reporting system should provide the information management needs to monitor the City's financial condition and make appropriate decisions in a timely basis.

Condition

The software programs used to perform the financial functions and related activity does not have the capability of producing reports that are necessary for management to accurately report on the City's financial position. For example, during our audit, we noted that the City was not able to provide an accounts payable aging report or an alternate report to support the accounts payable balance in the general ledger system.

Recommendation

We recommend that the City conduct an evaluation of the existing financial system and an analysis of projected needs. This evaluation should focus on ensuring that the City's financial systems maximize the productivity of its staff and meet the financial reporting needs of management.

Current Year Status

The condition still exists in current year.

CITY OF OPA-LOCKA, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

SECTION II – FINANCIAL STATEMENT FINDINGS AND STATUS (CONTINUED)

SIGNIFICANT DEFICIENCIES (CONTINUED)

SD2015-02 UPGRADE THE ACCOUNTING SYSTEM (REPEAT FINDING) (CONTINUED)

View of Responsible Official and Planned Corrective Action

See accompanying corrective action plan.

SD2015-03 FINANCIAL REPORTING POLICIES AND PROCEDURES MANUAL AND RECONCILIATION OF GENERAL LEDGER ACCOUNTS TO SUPPORTING DOCUMENTS (REPEAT FINDING)

Criteria

Prudent financial reporting requires accurate and timely reconciliation of general ledger accounts. The existence of a formal policy and procedures manual could assist with the timeliness of reconciling account balances.

Condition

During the audit, we noted that significant general ledger accounts were not properly reconciled. A formal accounting policies and procedures manual would facilitate continuity in the necessary procedures.

Recommendation

We recommend that the City develop a formal financial reporting policies and procedures manual which include the reconciliation of general ledger accounts on a monthly basis among other process and procedures. A benefit of monthly reconciliations is that errors do not accumulate but can be identified and attributed to a specific period, which makes it easier to perform future reconciliations. Also, formal documentation can be used to reinforce established policies and procedures and serve as a training tool.

Current Year Status

This condition still exists in fiscal year ended September 30, 2020. During field work, eighty-six (86) audit adjustments for approximately \$78,861,000, were required to correct the original working trial balance provided by management.

CITY OF OPA-LOCKA, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

SECTION II – FINANCIAL STATEMENT FINDINGS AND STATUS (CONTINUED)

SIGNIFICANT DEFICIENCIES (CONTINUED)

SD2015-03 FINANCIAL REPORTING POLICIES AND PROCEDURES MANUAL AND RECONCILIATION OF GENERAL LEDGER ACCOUNTS TO SUPPORTING DOCUMENTS (REPEAT FINDING) (CONTINUED)

View of Responsible Official and Planned Corrective Action

See accompanying corrective action plan.

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None.

CITY OF OPA-LOCKA, FLORIDA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

I. PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND STATUS

MATERIAL WEAKNESSES

- MW 2019-01 - was addressed in the current year.
- MW 2019-02 - was addressed in the current year.
- MW 2019-03 - was not addressed and the finding is repeated.
- MW 2017-01 - was not addressed and the finding is repeated.
- MW 2017-02 - was not addressed and the finding is repeated.
- MW 2017-03 - was addressed in the current year.
- MW 2017-04 - was not addressed and the finding is repeated.
- MW 2017-05 - was addressed in the current year.
- MW 2015-01 - was not addressed and the finding is repeated.

SIGNIFICANT DEFICIENCIES

- SD 2017-06 - was not addressed and the finding is repeated.
- SD 2015-02 - was not addressed and the finding is repeated.
- SD 2015-03 - was not addressed and the finding is repeated.
- SD 2014-01 - was addressed in the current year.
- SD 2014-03 - was addressed in the current year.

II. PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

**MANAGEMENT LETTER IN ACCORDANCE WITH THE RULES OF THE
AUDITOR GENERAL OF THE STATE OF FLORIDA**

To the Honorable Mayor, City Commission, and City Manager
City of Opa-locka, Florida

Report on the Financial Statements

We have audited the financial statements of the City of Opa-locka, Florida (the “City”), as of and for the fiscal year ended September 30, 2020, and have issued our report thereon dated October 21, 2022.

Auditors’ Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance); and Chapter 10.550, Rules of the Auditor General.

Other Reporting Requirements

We have issued our Independent Auditors’ Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditors’ Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by Uniform Guidance; Schedule of Findings and Questioned Costs; Summary Schedule of Prior Audit Findings and Independent Accountants’ Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedules, which are dated October 21, 2022, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. The status of recommendations made in the preceding annual financial audit report have been addressed except as noted in the summary schedule of prior audit findings.

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The information regarding the specific legal authority for the City and its component units is discussed in Note 1 to the financial statements.

Financial Condition and Management

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether or not the City has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific condition(s) met. In connection with our audit, we determined that the City did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.b. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for the City. It is management's responsibility to monitor the City's financial condition, and our financial condition assessment was based in part on representations made by management and review of financial information provided by same. Our assessment was performed as of the fiscal year end.

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we did have two recommendations identified as MLC 2020-001 and MLC 2020-002 which are included in Appendix A.

Special District Component Units

Section 10.554(1)(i)5.d., Rules of the Auditor General, requires, if appropriate, that we communicate the failure of a special district that is a component unit of a county, municipality, or special district, to provide the financial information necessary for proper reporting of the component unit within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. In connection with our audit, we did not note any special district component units that failed to provide the necessary information for proper reporting in accordance with Section 218.39(3)(b), Florida Statutes.

Additional Matters

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, see accompanying Schedule of Findings and Questioned Costs.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, federal, state and other granting agencies, the Mayor and the City Commission, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

Marcum LLP

Miami, FL
October 21, 2022

CITY OF OPA-LOCKA, FLORIDA

**APPENDIX A – CURRENT YEAR AND PRIOR YEARS RECOMMENDATIONS TO
IMPROVE FINANCIAL MANAGEMENT**

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

No.	Current Year's Observations	Observation Is Still Relevant	Observation Addressed or No Longer Relevant
MLC 2020-001	Solid Waste Fund Deficit Net Position	X	
MLC 2020-002	Financial Emergency	X	
No.	Prior Year's Observations		
None			

CITY OF OPA-LOCKA, FLORIDA

APPENDIX A – CURRENT YEAR AND PRIOR YEARS RECOMMENDATIONS TO IMPROVE FINANCIAL MANAGEMENT (CONTINUED)

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

MLC 2020-001 – SOLID WASTE DEFICIT NET POSITION

Criteria, Condition and Cause

Per Governmental Accounting Standards Board (“GASB”) Statement No. 34, *Basic Financial Statements- and Management’s Discussion and Analysis—for State and Local Governments*, paragraph 67, Enterprise funds should establish pricing policies that are designed to recover its costs, including capital costs (such as depreciation or debt service). During the fiscal year ended September 30, 2020, it was noted that the Solid Waste fund had a deficit net position of (\$23,097). This was due to solid waste utility rates not being sufficient to meet the increased personnel and contractual service costs incurred by the solid waste fund during the fiscal year and prior fiscal years.

Effect

This could impact the City’s bond ratings as well as other financial indicators. Enterprise funds distinguish between current and non-current assets and liabilities. It is possible to take advantage of this distinction to calculate working capital (i.e., current assets less current liabilities). The measure of working capital indicates the relatively liquid portion of total enterprise fund capital, which constitutes a margin or buffer for meeting obligations and considerations of future debt payments. It is essential that a government maintain adequate levels of working capital in its enterprise funds to mitigate current and future risks (e.g., revenue shortfalls and unanticipated expenses) and to ensure stable services and fees.

Recommendation

Marcum recommends that the City consider reviewing the solid waste rate charges to ensure future solid waste utility rates/revenues are sufficient in order to continue funding annual operating and maintenance costs, debt service, meet debt service coverage ratio requirements, eliminate the deficit and build/maintain a positive net position.

Management’s Response

The City is currently working on implementing adequate controls necessary to promote and encourage compliance with applicable State laws, City ordinances and regulations. Management is taking measures to ensure: (1) the ongoing economic and efficient operation of the City, (2) reliability of records and reports, and (3) safeguarding of City’s assets. This includes considering the auditors recommendation above.

CITY OF OPA-LOCKA, FLORIDA

APPENDIX A – CURRENT YEAR AND PRIOR YEARS RECOMMENDATIONS TO IMPROVE FINANCIAL MANAGEMENT (CONTINUED)

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

MLC 2020-002 DECLARED STATE OF FINANCIAL EMERGENCY

Criteria, Condition and Cause

On June 1, 2016, the City of Opa-locka City Commission adopted a Resolution to request a declaration that the City is in a state of financial emergency to seek the appointment of a financial emergency board and other assistance pursuant to section 218.503(1), Florida Statutes. The State of Florida, Office of the Governor, issued Executive Order 16-135, signed by Florida Governor Rick Scott.

The City submitted its Five-Year Recovery Plan in accordance with Florida Statute, 218.503 (3)(h) in August 2020.

Effect

The City is currently under the oversight of a financial emergency board.

Recommendation

After consideration of the above criteria, condition and cause, and several other factors, not limited to; a) deficits unrestricted net position/fund balances for the water and sewer fund, and solid waste fund, b) lack of support for repayment or collection of due to/due from other funds account balances, and c) the withholding of State Revenue Sharing as of the auditors' report date. We advised the City work closely with financial emergency board and continue to follow/adhere to the Five-Year Recovery Plan in order to alleviate the state of financial emergency.

Management's Response

Since the declaration of the state of financial emergency was adopted on June 1, 2016, the City has made substantial progress addressing the conditions defined within section 218.503(1), Florida Statutes. A financial emergency board was created to provide technical assistance and to oversee the activities of the City. The City has been current on submitting its budget to the Governor's designee for approval.

One element of exiting from a state of financial emergency is the development of a Five-Year Recovery Plan by the City, to demonstrate the City's ability to satisfy the requirements necessary to restore the City's financial stability and integrity. The City submitted a proposed Five-Year Recovery Plan to the State of Florida, which was approved in August 2020 without modifications. In addition, for the fiscal year ended, September 30, 2020, both the City's change in net position and overall net position improved. The City is currently working on implementing adequate controls necessary to promote and encourage compliance with applicable State laws, City ordinances

CITY OF OPA-LOCKA, FLORIDA

**APPENDIX A – CURRENT YEAR AND PRIOR YEARS RECOMMENDATIONS TO
IMPROVE FINANCIAL MANAGEMENT (CONTINUED)**

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

MLC 2020-002 DECLARED STATE OF FINANCIAL EMERGENCY (CONTINUED)

Management’s Response (Continued)

and regulations. Management is taking measures to ensure: (1) the ongoing economic and efficient operation of the City, (2) reliability of records and reports, and (3) safeguarding of City’s assets.

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE PURSUANT TO
SECTION 218.415 FLORIDA STATUTES**

To the Honorable Mayor, City Commission, and City Manager
City of Opa-locka, Florida

We have examined the City of Opa-locka, Florida's (the "City") compliance with Section 218.415 Florida Statutes, Local Government Investment Policies for the fiscal year ended September 30, 2020. Management of the City is responsible for the City's compliance with the specified requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the City complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the City complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the City's compliance with the specified requirements.

In our opinion, the City complied, in all material respects, with Section 218.415 Florida Statutes for the fiscal year ended September 30, 2020.

This report is intended solely to describe our testing of compliance with Section 218.415, Florida Statutes, and it is not suitable for any other purpose.

Marcum LLP

Miami, FL
October 21, 2022



City of
OPA-LOCKA
Florida

IMPACT FEE AFFIDAVIT

BEFORE ME, the undersigned authority, personally appeared Interim City Manager, Darvin E. Williams of the City of Opa-locka, Florida, who being duly sworn, deposes and says on oath that:


1. I am the Interim City Manager of City of Opa-locka which is a local government entity of the State of Florida.
2. The governing body of City of Opa-locka adopted Ordinance No. 15-21 (Road Drainage), Ordinance 15-22 (Public Safety), Ordinance 15-23 (Park) and Ordinance 15-24 (Water and Sewer) implementing an impact fee; and
3. City of Opa-locka has complied and, as of the date of this Affidavit, remains in compliance with Section 163.31801, Florida Statutes.

FURTHER AFFIANT SAYETH NAUGHT.


 Interim City Manager, Darvin E. Williams

STATE OF FLORIDA
COUNTY OF MIAMI-DADE

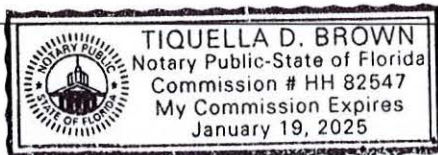
SWORN TO AND SUBSCRIBED before me this 29 day of September, 2022.


 NOTARY PUBLIC
 Print Name Tiquella Brown

Personally known X or produced identification _____

Type of identification produced: _____

My Commission Expires:





Corrective Action Plan

Veronica Williams
Mayor

MATERIAL WEAKNESSES (MW)

MW 2020-01: REPORTING OF CITY'S DUE TO/FROM

The City of Opa-locka ("the City") has implemented a plan to reconcile its "due to and due from" accounts on at least an annual basis during the year-end close process. During the closing of fiscal year 2020, an in-depth analysis was performed on these accounts to review balances accumulated over multiple prior years to the current period (i.e., spanning over a decade). This review resulted in the Finance Department's proposal of several journal entries to clear up a significant amount of the outstanding due to's and due from's. In addition to the in-depth analysis, the corrective action plan includes the following:

Since the issue of clearing out due to's and due from's involves both grant and non-grant cash activities, the corrective action plan addresses both of these activities separately in order to specifically state herein Management's proposed solution.

- a) A change in the City's Grant Administration Policy wherein all new grants will require the Finance Director's original signature authorization to have any funds directly deposited into any one of the City's bank accounts. This change will assist the Finance Director in controlling the receipt and disbursement of funds from any of the City's bank accounts and will ultimately reduce the number of due to's and due from's initiated between funds and bank accounts.
- b) The Finance Director will authorize the use of at least two other existing bank accounts to receive and disburse funds according to their established purpose, in lieu of using the General Funds' bank account, which creates the issue of clearing out due to's and due from's. The full use of currently existing bank accounts for their original intent and purposes will help streamline the City's financial reporting responsibility.
- c) The City will revisit the reported due to/due from amounts in the 2020 audited financial statements to ensure validity and accuracy of such amounts as compared to US GAAP.

Responsible Party: Ms. Niema Walker, Finance Director

MW2020-02: SUPPORT FOR BUILDING PERMIT CHARGES

Management concurs that the City should retain all pertinent documentation and records in order that the auditor be able to confirm the validity of all items tested in order to gain reasonable assurance on the accuracy and reliability of revenue reported by the City.

Corrective action was taken during the subsequent fiscal years to address this issue and to make overall improvements in the Building & License Department as follows:

John H. Taylor
Vice Mayor

Dr. Sherelean Bass
Commissioner

Chris Davis
Commissioner

Audrey Dominguez
Commissioner

Darvin E. Williams
Interim City Manager

Joanna Flores
City Clerk

**Burnadette
Norris-Weeks**
City Attorney



- a.) A new Director was hired to oversee the entire building and licensing process including the restructuring of daily controls over the receipt of revenue; the proper posting, depositing and accountability of permit revenue; and the filing and record retention of all building and licensing documents according to Florida Statutes' record retention policy.
- b.) The new Director began a review and analysis of the City's building permit fee schedule to ensure the accuracy thereof according to the City's Ordinance 15-14.
- c.) A new staff person was hired to work with the Director to ensure the accuracy and reliability of building permit billings and collections. Any errors identified in the billing and collection process will be addressed and corrected immediately.

Responsible Party: Ms. Martha Parfait, MPA, MA, Building & Licenses Director.

MW2019-03: INACCURATE CALCULATION AND ACCRUAL OF DEPARTMENT OF ENVIRONMENTAL RESOURCES MANAGEMENT (DERM) REVENUE (REPEAT)

Corrective action was taken during the fiscal year ended September 30, 2021, changing DERM's service fee rate from 8% to 6% on all applicable customer accounts that are managed in the City's SunGard computer system. The City supplied a system generated rate sheet that shows the changes made in SunGard effective during the fiscal year ended September 30, 2020. In addition, the City is taking corrective action by use of the Utility Billing Adjustment form to review and document customers' accounts for adjustment of the two (2) percent difference.

The 6% DERM service fee is not revenue, it is a pass through to Miami-Dade County ("County"). It is recognized as a liability as of September 30, 2020 and remitted to the County during the subsequent period.

Responsible Party: Mr. Airia Austin, Public Utility Director

MW2017-01: FLORIDA AUDITOR GENERAL REPORT FINDINGS (REPEAT)

The City has undertaken a rigorous program of correcting prior issues where practical and is developing documented policies and procedures where appropriate to establish guidance and checks and balances to avoid a recurrence of these problems in the future. At this time, more than half of the identified findings have been deemed as satisfactorily completed, with work underway on the remainder.

The Government Finance Officers Association (GFOA) recommends that every government should consider the feasibility of establishing a formal internal audit function to help management maintain a comprehensive framework of internal controls and that if not feasible, the local government is encouraged to consider (1) assigning internal audit responsibilities to its regular employees or (2) obtaining the services of an accounting firm (other than the independent auditor).

In review of the City's Five-Year Financial Recovery Plan produced by the City in fiscal year 2019-2020, approved and forecasted budgets, there is limited capacity for additional staffing and an internal auditor is not envisioned at this time. The City believes based on operational and financial data known at this time, that it is not feasible to establish a separate internal audit function. However, it is considering the assignment of the internal audit responsibilities to its regular employees by creating an Internal Audit Committee to



brief the City Manager on an advisory basis internally in the near future.

Responsible Party: Mr. Darvin Williams, Interim City Manager and Mr. Robert Anathan, Budget Administrator

MW2017-02: STRENGTHEN STAFF RESOURCES IN THE FINANCE AND ACCOUNTING DEPARTMENT (REPEAT)

During the subsequent period, the City advertised for the recruitment of an experienced governmental accounting professional to employ as the Finance Director. As such, a Finance Director was hired and brought on board during the subsequent fiscal year ended September 30, 2022. In addition, the City has assessed and identified areas of weakness in the Finance Department to make corrective action and provide the necessary resources and tools to further strengthen the department. The City is adding two additional resource consultants to assist with providing the government accounting experience on an interim basis. The City is continuing to recruit additional staff personnel within its Finance Department.

Responsible Party: Mrs. Niema Walker, MPA, CGFO, Finance Director

MW2017-04: RECONCILIATION OF CASH ACCOUNTS (REPEAT)

For multiple years, the City's Finance Department was functioning without the required staffing levels and supervisory oversight. However, in recent years, the City has implemented corrective action to reconcile cash activity on a timelier basis and has created policies and procedures to improve the preparation and monitoring controls over the bank reconciliation process.

Additionally, the City has hired two Staff Accountants to be responsible for completing the bank reconciliations and applicable journal entries on a monthly basis and has demonstrated progress in this area.

To strengthen the timeliness of these reconciliations, the City's consultant began holding weekly briefing meetings with these Staff Accountants to ensure that the bank reconciliation process is being properly completed as planned. These weekly meetings provide structure and enhance the Finance Department's ability to produce bank reconciliation of cash on a timely basis and creates a plan to become current on producing bank reconciliations in the future.

Responsible Party: Mrs. Niema Walker, MPA, CGFO, Finance Director

MW2015-01: TIMELINESS OF RECORDING INDIVIDUAL TRANSACTIONS (REPEAT)

The City has assessed and reviewed the internal accounting policies, procedures and controls over the recording, processing, and reporting of its accounting of events and transactions. To enhance the accuracy and reliability of these events and transactions being recorded, management has implemented the following procedures:

- a.) The City has developed the necessary policies and accounting procedures to address this finding.
- b.) The City has made plans to give group and/or individual training sessions to Finance Department staff in the areas of journal entry preparation; closing a fiscal month in order to begin activity in a



new month; reviewing the importance of obtaining sufficient, competent evidential matter to support an accounting transaction.

- c.) The City is actively reconciling accounts to produce relevant and accurate financial data.
- d.) Additionally, during the subsequent period, the City recruited and hired a seasoned Finance Director to provide financial management, oversight, staff supervision and to continually monitor and improve the Finance Department's financial reporting system.

Responsible Party: Mrs. Niema Walker, MPA, CGFO, Finance Director

SIGNIFICANT DEFICIENCIES (SD)

SD2020-01: INTERNAL CONTROLS OVER THE PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (SEFA)

The City will remain cognizant of the Uniform Guidance requirements as it relates to the Data Collection Form and report package. The delinquency in presentation of these items is a direct result of the city's constant state of accounting staffing shortages, turnover, absenteeism, and inherent serious strain on remaining personnel during COVID. The City has provided accurate data in the Schedule of Expenditures for Federal Awards (SEFA) concerning federal expenditure amounts, however, the format required revisions.

Responsible Party: Mrs. Niema Walker, MPA, CGFO, Finance Director

SD2020-02: NON-COMPLIANCE WITH FLORIDA STATUTES

The City concurs that as a result of its declared financial emergency, turnover in staffing and management, deficiencies, and gaps in operations that the audit was not submitted timely. However, going forward, the City has taken corrective action to alleviate this matter and will continue to progress accordingly.

Responsible Party: Mr. Darwin Williams, Interim City Manager, and Mrs. Niema Walker, MPA, CGFO, Finance Director

SD2020-03: SUPPORT FOR STORMWATER UTILITY CHARGE

The City has developed financial policies and procedures and will begin to implement these practices pursuant to Florida statues record retention policy.

Responsible Party: Mrs. Niema Walker, MPA, CGFO, Finance Director

SD2017-06: PENSION PLAN REMITTANCE (REPEAT)

The City has proposed adjustments to verify that the 457 Pension plan payments are made and will designate appropriate staff personnel to review and monitor routinely. To document the Pension plan file, designated Human Resource staff personnel will obtain a copy of the monthly wire transfer confirmation, review for accuracy and attach it to the payment remittance device for recordkeeping.



Responsible Party: Ms. Sha'mecca Lawson, Assistant City Manager and Mrs. Niema Walker, MPA, CGFO, Finance Director

SD2015-02: UPGRADE THE ACCOUNTING (REPEAT)

The City has determined that the existing financial accounting and reporting system does not meet all of its needs.

Subsequent to September 30, 2020, the City is in the process of procuring the services of a new enterprise resource planning (ERP) financial system to address the complex operational and financial needs of the City.

Responsible Party: Mr. Darvin Williams, Interim City Manager, Mr. Lubotes Dauphin, IT Director, and Mrs. Niema Walker, MPA, CGFO, Finance Director

SD2015-03: FINANCIAL REPORTING POLICIES AND PROCEDURES MANUAL AND RECONCILIATION OF GENERAL LEDGER ACCOUNTS TO SUPPORTING DOCUMENTS (REPEAT)

The City is developing and updating its existing financial reporting policies and procedures and will implement systems to continually monitor the monthly general ledger reconciliation process, including providing supporting documentation for accounting transactions (i.e., journal entries).

In addition to developing and updating its existing financial reporting policies and procedures, the City found it necessary to perform an intense analysis of projected financial system needs which revealed that the hiring of senior staff with government accounting and financial reporting experience would begin to strengthen the financial capabilities and reporting reliability of financial data. It is recommended that the Finance Director and two additional Senior Accountants would have shared duties in the areas of general ledger accounting, knowledge of generally accepted accounting principles (GAAP) and financial reporting.

Employing senior staff with government accounting and financial reporting experience continues to be a priority to strengthen the financial capabilities and reporting reliability of the financial data.

Responsible Party: Mrs. Niema Walker, MPA, CGFO Finance Director